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February 7, 2011

Dear Senators:

Please find attached the "Staff Analysis of the SFY 2011-12 Executive Budget." It is intended to assist the members of the Finance Committee and the Senate as a whole, in their deliberations. We hope that our readers find it useful.

This analysis of the Executive Budget begins with a summary of the spending plan. It then examines an explanation of proposed changes that affect receipts and provides for Senate Issues in Focus. Finally, it provides a summary of the Executive's 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 Governor's 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 Republican Conference staff of both the Senate Finance Committee, and the Counsel and Program Office, whose assistance has been invaluable.

Sincerely,

John A. DeFrancisco

# New York State Senate

# Finance / Counsel Analysis of the 2011-12 Executive Budget

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PRESIDENT PRO TEMPORE & MAJORITY LEADER

## Senator John A. DeFrancisco

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## Senator Owen H. Johnson

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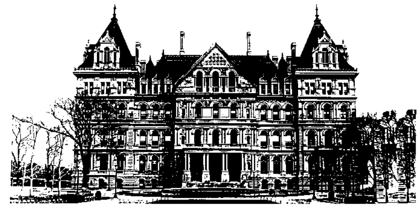

# STAFF ANALYSIS OF THE SFY 2011-12 EXECUTIVE BUDGET

**As Prepared by the Senate Majority Finance / Counsel Staff**


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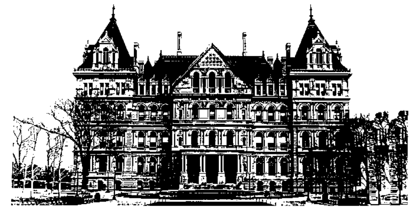


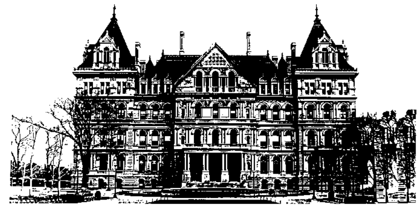
## SECTION ONE: HIGHLIGHTS OF THE SFY 2011-12 BUDGET



## SECTION TWO: SENATE ISSUES IN FOCUS



## SECTION THREE: ARTICLE VII BILLS



# SECTION ONE

## HIGHLIGHTS OF THE EXECUTIVE BUDGET

## OVERVIEW

New York is experiencing a chronic structural deficit that is magnified as a result of the economy. Spending projections and the loss of temporary Federal stimulus funds that were used for ongoing spending is driving ever increasing budget gaps. These gaps were managed in the past as revenues continued to increase however current economic conditions highlight that the State can no longer support projected spending levels. After the approval of $14 billion in new taxes over the last two years - - passed without a single Republican vote - - New Yorkers simply can't afford to pay any more in taxes.

The Senate Republican conference has supported capping spending to balance the budget, rather than raising taxes or borrowing. Cutting spending to a sustainable level is a top priority of the Senate Republican Majority. To stress this commitment, the first piece of legislation passed in the Senate was legislation to cap state spending growth at the lesser of 2 percent or 120 percent of the consumer price index.

The Governor's Budget also appears to set the right tone for the difficult challenges ahead.

The SFY 2011-12 Executive budget includes proposals to limit Medicaid and School aid spending to factors tied to inflation. Moreover, at 1.8 percent State Funds spending growth in the SFY 2011-12 Executive budget falls slightly above the State Spending Cap passed by the Senate.

In addition the Senate Republican conference called for no new taxes. This Executive budget is virtually tax free and does not rely on significant new revenues to close the budget gap.

The Budget does however present serious challenges for proper review and disposition by the Legislature. There are many open questions including the specific details on how the $2.85 billion in Medicaid cuts proposed will be implemented. Without specifics, analysis cannot reveal whether cuts are applied fairly. A balance across the regions of the State is necessary to ensure that the impact across the state is proportionate. In addition, the use of Executive Orders to implement budget recommendations can present challenges.

## SPENDING

The SFY 2011-12 Executive Budget proposal is a plan to reduce spending and reduce the out year structural gaps without raising taxes. On an All Funds basis, spending is proposed at $132.9 billion a decrease of $3.7 billion or 2.7 percent from the current year. The year to year decrease is mainly the result of the loss of $5.3 billion in Federal Stimulus Funds which is not entirely replaced with State Funding. Additional savings are achieved through projected spending reductions.

The more accurate growth figure is the State Funds number in the table below which shows **state spending growing by $1.6 billion year over year or 1.8 percent**, slightly lower than the rate of inflation.

| SFY 2011-12 SPENDING | | | | |
|---|---|---|---|---|
| | 2010- | 2011- | Change | Percent |
| All Funds | $136.53 | $132.86 | ($3.67) | -2.69% |
| State Funds | $91.57 | $93.20 | $1.62 | 1.77% |

However, nearly half of the spending cuts are based on **targets**. The actual programmatic spending reductions to achieve $3.8 billion in spending reductions are not specified in the proposed budget.

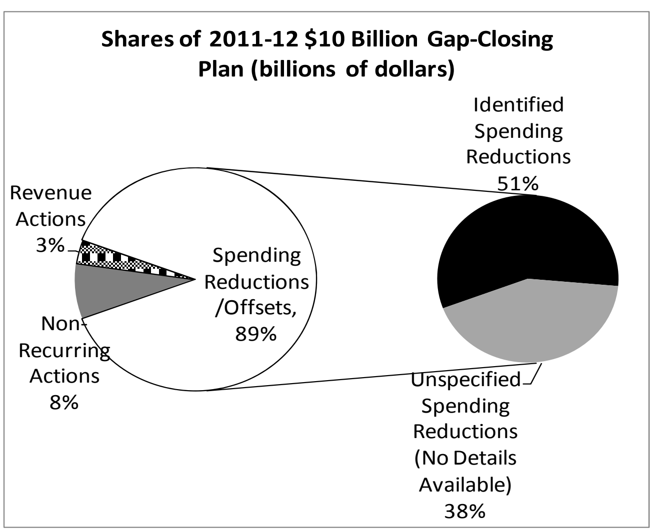
## TAXES

The Executive Budget uses virtually no tax and fee increases to help eliminate the budget gap. Instead, revenue is increased by using changes to tax provisions to maximize enforcement of current taxes, administrative efficiencies and expanding racing and lottery opportunities. Two tax and fee proposals, increasing taxes on cooperative insurance companies and administering a new surcharge of 2.75 percent on racing purses, are notable departures from the Executives pledge not to raise taxes, although it is suggested that these are loophole closers.

## BUDGET GAP CLOSING PLAN

The projected Current Services gap for SFY 2011-12 is $10 billion The gap over the next four years totals $64.6 billion. The Governor's Budget closes the $10 billion gap and reduces the gaps over the following three years to a total of $9.2 billion. According to the Executive, approximately 90 percent of the SFY 2011-12 gap closing plan is accomplished through spending reductions.

| SFY 2011-12 Budget Gap | | |
|---|---|---|
| **Billions of Dollars** | | |
| **Spending Reductions** | | |
| School Aid | $ | 2.850 |
| Medicaid | $ | 2.850 |
| Agency Operations | $ | 1.400 |
| Other Local Assistance Cuts | $ | 1.800 |
| **Total Spending Reductions** | **$** | **8.900** |
| Revenue Enhancements | $ | 0.340 |
| 1-Shots | $ | 0.805 |
| **Total Revenue** | **$** | **1.145** |
| **Total Gap Closing Plan** | | **$10.045** |




Analysis of the Executive budget documents reveals that there are **no specific programmatic reductions behind $3.9 billion or 44 percent of the "spending control"** proposed in the Executive Budget.

- $2.85 billion in Medicaid cuts are to be determined.
- $935 million, more than two-thirds of the $1.4 billion in reductions attributed to "State Agency Redesign" are unspecified, including general categories labeled "labor management partnership" and "non-personal services" "efficiencies"

## "1-SHOTS" / NON-RECURRING RESOURCES: – $805M

The budget relies on $805M in nonrecurring resources "1-Shots" as follows: MTA revenues, $100 million; NYPA/Other Authorities, $150 million; Debt Management, $200 million; Limiting future school aid claims, $100 million; recoveries, $75 million; and other, $80 million.

## RESERVES:

**The State is projected to have reserves of $1.6 billion at the close of SFY 2011-12** including a $346 million reserve for Collective Bargaining Agreements. The General Fund is expected to end SFY 2010-2011 with a cash balance of $1.4 billion. This consists of $1.03 billion in the Tax Stabilization Fund, $175 million in the Rainy Day Fund, $96 million in the Member Item Account, $21 million in the Contingency Reserve and $36 million in the Debt Reserve.

## CHALLENGES TO THE LEGISLATURE'S REVIEW OF THE BUDGET

Article VII §2 of the New York State Constitution requires the Governor to submit a budget to the Legislature. Specifically, Article

VII §2 requires the submission of a "complete plan of expenditures". This budget submission is a departure from the traditional interpretations and takes a very broad view of the words "complete plan of expenditures".

The form of the Executive Budget submission presents real challenges to the legislature's ability to review the Governor's budget proposals. The constitutional framework for the budget process assumes a full proposal by the Executive accompanied by detailed legislation necessary to implement the budget. The budget legislation requires analysis and scrutiny to ensure the that legislative intent is reflected and unintended consequences are eliminated. However, many of the major cost reductions proposals outlined in the Executive budget submission are not yet available for review. Information necessary for staff to analyze the impact of cost reduction proposals on the regions of the State or individual communities is not yet available.

Public hearings are also part of the statutory framework of legislative review of the Executive Budget. This year however, the public hearings will be nearly over before light is shed on key elements of the Executive budget proposals which may be released in March.

## EXECUTIVE ORDERS

The Executive Budget is also unique in its reliance on Executive Orders. Executive Orders are typically not negotiated and generally do not delve into areas of legislative prerogative such as budget enactment. Nonetheless five Executive Orders take prominence in the SFY 2011-12 Executive Budget proposal to the legislature.

1. **Medicaid Cuts** – Panel is created by Executive order to come up with recommendations. The governance and process by which these recommendations are established is unclear.
2. **Mandate Relief** – mandate relief is not included in the budget. The property tax cap is also not included. A team to come up with mandate relief ideas is established by Executive Order.
3. **Prison Closures** – The Executive budget includes $100 million relating to the rightsizing of prisons and other facilities. The Executive Order has not been issued. The specific prisons, regional impact and number of employees impacted are not available. According to public information, the Task force to be established by this Executive order would be tasked with making recommendations after the beginning of the next fiscal year.
4. **Economic Development –** The creation of 10 regional economic development councils. Moreover the Lt. Governor will head this effort. The Lt. Governor would also be given control of over $340 million in discretionary economic development funds previously subject to legislative oversight. This Executive Order has not been issued.
5. **State Agencies / Workforce -** The Spending and Government Efficiency commission (SAGE) created by executive order is charged with making recommendations to reduce the number of State Agencies, by 20 percent over the next four years. The Executive Budget **does not include any savings from SAGE.**

## HIGHLIGHTS OF MAJOR AREAS OF SPENDING AREAS

## MEDICAID

**No specific cuts are proposed to the Medicaid program.** Instead the Executive creates The Medicaid Redesign Team (MRT), by Executive Order. The MRT is charged with identifying $2.85 billion in savings for SFY 2011-12 and also to hold future growth to the medical component of the CPI, approximately four percent. The Team's recommendations are due no later than March 1,

2011. The Executive expects to incorporate these recommendations into the 30-Day Amendments to the Executive Budget due on March 3. The health industry estimates the actual current services cut to be $5.9 billion when you include the loss of federal Medicaid matching funds. This is a $1 billion cut from the previous year. The State share of Medicaid is estimated at $21 billion.

Appropriation language is included to allow the Commissioner of Health to, *unilaterally modify virtually any law necessary to* implement the Medicaid Redesign Team recommendations, and/or a plan developed outside of the MRT to meet the Executive's Medicaid cut target.

## SCHOOL AID

The 2011-12 Executive Budget recommends $19.4 billion in School Aid funding for the 2011-12 school year, which will be a year-to-year reduction in School Aid of $1.5 billion, or 7.3 percent. The largest formula aid category is Foundation Aid, which is recommended to remain at $14.9 billion; the full phase-in of Foundation Aid is extended to the 2016-17 school year.

The Executive Budget recommends a $2.8 billion Gap Elimination Adjustment (GEA) for the 2011-12 school year. This is not an across the board or equal cut to all school districts. The Executive claims the school aid reduction is done "progressively". Staff analysis indicates that this progressive approach may disproportionately impact upstate small cities, rural and suburban districts.

## HIGHER EDUCATION

The SFY 2011-12 Executive Budget recommends a decrease of $400M from SFY 2010-11 funding levels for higher education programs. The funding decrease is achieved through a reduction in General Fund Support for SUNY State Operated Colleges (-$100M), Statutory Colleges (-$15.4M) and Community College Base Aid (-$33.1M). In addition, the decrease is achieved through reductions to CUNY Senior colleges (-$71M), and Community College Base aid (-$13.1M). The Executive has also advanced a proposal to take $135M in elimination of the SUNY Hospital Subsidy for the three teaching hospitals in Brooklyn, Stony Brook, and Syracuse. In addition the Executive maintains current formulas for allocating TAP awards for an additional $30.8M in savings.

## TRANSPORTATION:

The SFY 2011-12 Executive Budget maintains the two-year, $7B Department of Transportation capital spending program that was approved last year. There is no Road and Bridge capital plan for beyond SFY 2011-12. Funding for local highway and bridge projects through the Consolidated Highway Improvement Program (CHIPS) program is maintained at last years level of $363.1 million and Marchiselli program funding of $39.7M is also unchanged from the current year. The Metropolitan Transportation Authority will receive $3.8B, a cash increase of $43M from SFY 2010-11, and other transit systems will receive $401M, a cash increase of $2M. Based on last year's appropriations, all transit providers, aside from the MTA, will receive more operating assistance than in the current year.

## PUBLIC PROTECTION:

*Prison Closures* - The Executive budget proposes to create a Task Force by Executive Order to reduce 3,500 beds in medium and minimum correctional facilities, and ultimately identify prisons for closure. The Executive Order has not been issued. Specific information such as how the members of the task force are selected, when the Task Force takes effect, the savings attributed to the closure of facilities, and the number of employees affected is unknown. Mergers impacting the Department of Correctional Services, Division of Parole, the Office for the Prevention of Domestic Violence (OPDV), the Office of Victim Services (OVS), and the State Commission of Corrections and the Division of Criminal Justice Services are also proposed.

## ECONOMIC DEVELOPMENT AND JOB CREATION

The Senate Republican majority passed the Job Creation and Taxpayer Protection Act of 2011 on January 19, 2011 to encourage the creation of new private sector jobs. The plan would provide businesses with a three-year tax credit of up to $5,000 for each new job created. The credit could grow by an additional $3,000 per job if new hires are collecting unemployment. The plan would eliminate taxes for small businesses and manufacturers that pay the state's corporate franchise tax and roll back the income tax surcharge placed on them by the Democrat Majority in 2009. It also places a moratorium on new taxes, fees and regulations that are killing private sector job-creation efforts in the state.

The Executive Budget proposes amendments to the Excelsior Jobs program: the tax benefit period would be extended from five years to ten years and the new jobs tax credit would be calculated based on personal income tax withholding. Changes are also proposed for the real property tax credit and the R&D tax credit. No new tax cuts are proposed

## AGRICULTURE / ENVIRONMENT / HOUSING

The Executive Budget proposes eliminating all reappropriations for prior-year Legislative additions, representing a decrease of $951,000. In addition, many of the entities that provide research, education, and promotional support for agricultural activities would now be subject to a competitive grant process to procure funding. Funding for the Environmental Protection Fund is proposed at $134M, identical to current year funding.

## STATE OPERATIONS / WORKFORCE

The Executive Budget includes a reduction of 10 percent to all State Agency Operations from the SFY 2010-11 level. **There are no specifics as to how these saving will be accomplished.** The workforce is reduced by 267 employees, and language is included in briefing documents stating that in the absence of negotiated workforce savings additional layoffs may be necessary. The workforce numbers for individual agencies do not include specific reductions; however, there is an estimate of 9,800 layoffs for all State agencies that could occur if $450 million in negotiated workforce savings are not achieved. In addition the Executive includes $100 million in savings from "right sizing" initiatives. Lastly, The Financial Plan for SFY 2011-12 includes a reserve of $346 million to cover the cost of a pattern settlement for collective bargaining.

## MERGERS AND CONSOLIDATIONS

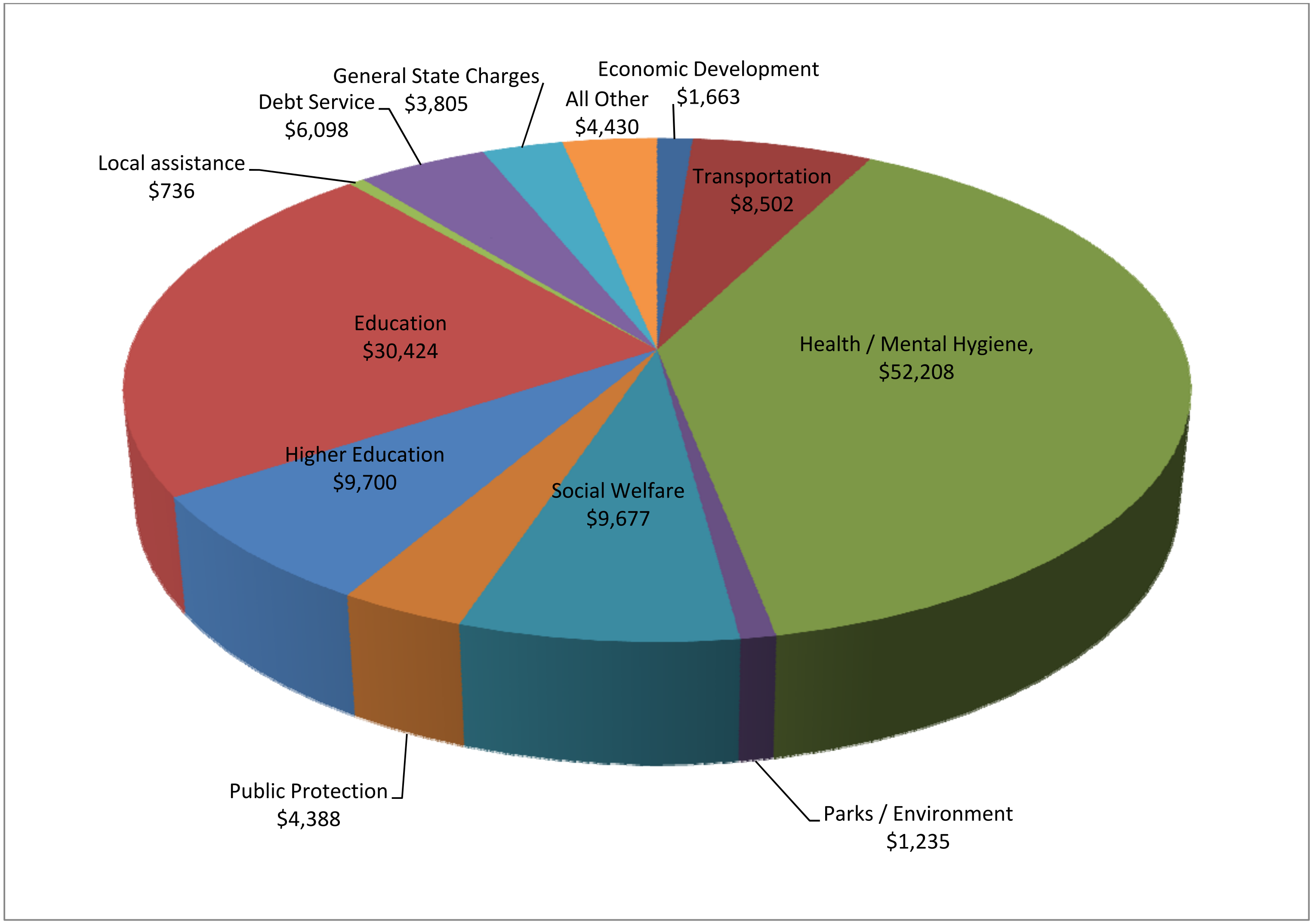
The Executive proposes consolidations impacting 11 Departments, boards, offices, and commissions. However, the total savings from the consolidations and mergers is scored at **$10.5 million.** The Financial Regulation merger will cost from $6 to $9 million.

- Departments of Insurance and Banking and the Consumer Financial Protections Programs of the Consumer Protection Board into the new Department of Financial Regulation - **Savings $0: Cost: $6-9 million**
- Offices of Victim Services, Prevention of Domestic Violence, and the State Commission on Corrections into the Division

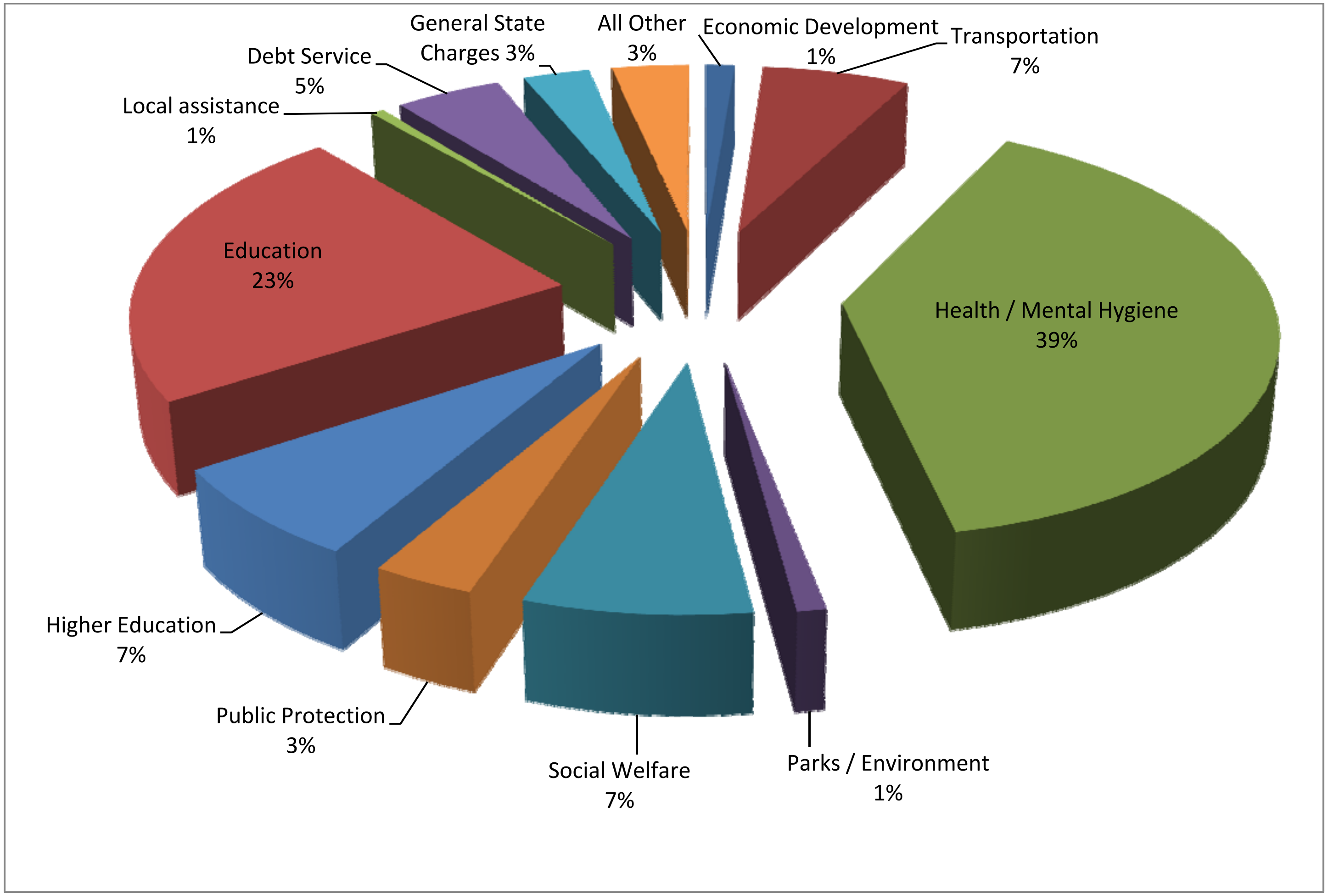
of Criminal Justice Services – **Savings $477,000:**

- Department of Correctional Services and the Division of Parole – **Savings $6-8 million:**
- Foundation for Science, Technology and Innovation into Empire State Development Corporation – **Savings $2 million**

# SFY 2011-12 Executive Budget All Funds Cash Disbursements
# (millions of $)



# SFY 2011-12 Executive Budget All Funds Cash Disbursements Percentage By Major Function



## Executive Tax Increase and Revenue Action Proposals

**(thousands of dollars)**

| | SFY 2011-12 | SFY 2012-13 |
|---|---|---|
| Establish fee for Statewide Central Register Clearance Checks | $11,922 | $11,922 |
| Racing Purse Surcharge | $7,600 | $8,500 |
| Cosmetics and Appearance Enhancement Business License Fee Increase and Spin Up | $2,250 | $2,250 |
| Repeal Exemption for Large Cooperative Insurance Companies | $22,000 | $16,000 |
| Provide Free Play Allowance to All Tracks | $38,000 | $38,000 |
| Reform Excelsior Jobs Program | $0 | $0 |
| Expand the Low Income Housing Tax Credit Program | $0 | $0 |
| Increase the Number of Instant Games with a 75 percent Prize Payout from Three to Five Per Year | $4,000 | $4,000 |
| Eliminate Quick Draw Restrictions | $10,000 | $44,000 |
| Increase Prize Payouts Percentages on Multi-Jurisdictional Games | $0 | $0 |
| Increase Progressive VLT Jackpots | $2,000 | $3,000 |
| Lottery Sales Efficiencies | $100,000 | $109,000 |
| Power for Jobs Extender | $0 | $0 |
| Offset Certain Tax Debts Against Lottery Winnings Above $600 | $5,000 | $10,000 |
| Tax Modernization Initiative | $200,000 | $200,000 |
| Authorizes Participation in a National Compact to Collect Excess Lines Insurance Tax | $0 | $0 |
| Make Tax Shelter Reporting Provisions Permanent | $0 | $0 |
| Make Permanent Major Provisions of the Bank Tax | $0 | $0 |
| Extend Gramm-Leach-Bliley Provisions for Two Years | $0 | $0 |
| Extend the Alternative Fuels Tax Exemption | $0 | $0 |
| Extend the Financial Services Investment Tax Credit for One Year | $0 | $0 |
| ESDC Empire Zone De-certification for Non-compliant Businesses | $0 | $0 |
| Pari-Mutuel Lower Tax Rate Extender | $0 | $0 |
| Modernize Certain Fuel Definitions | $0 | $0 |
| Simplify Motor Vehicle Fee Distribution | $0 | $0 |
| Abandoned Property Collection Spin Up | $55,000 | $15,000 |
| **Tax and Other Revenue Action Totals** | **$457,772** | **$461,672** |

# All Funds Cash Financial Plan

***SFY 2009-10 through SFY 2014-15***

***(millions of dollars)***

| | 2009-10 Actual | 2010-11 Revised | Change | Percent | 2011-12 Executive | Change | Percent |
|---|---|---|---|---|---|---|---|
| **Opening fund balance:** | **4,585** | **4,859** | **274** | **5.98%** | **3,496** | **(1,363)** | **-28.05%** |
| **Receipts:** | | | | | | | |
| Taxes | 57,668 | 60,763 | 3,095 | 5.37% | 64,783 | 4,020 | 6.62% |
| Miscellaneous receipts | 23,556 | 23,736 | 180 | 0.76% | 23,816 | 80 | 0.34% |
| Federal grants | 45,525 | 50,098 | 4,573 | 10.05% | 44,272 | (5,826) | -11.63% |
| **Total receipts** | **126,749** | **134,597** | **7,848** | **6.19%** | **132,871** | **(1,726)** | **-1.28%** |
| **Disbursements** | | | | | | | |
| Grants to local governments | 91,069 | 98,011 | 6,942 | 7.62% | 94,354 | (3,657) | -3.73% |
| Departmental Operations: | | | | | | | |
| Personal Service | 13,405 | 13,136 | (269) | -2.01% | 12,475 | (661) | -5.03% |
| Non-Personal Service | 6,026 | 6,368 | 342 | 5.68% | 6,156 | (212) | -3.33% |
| General State charges | 5,734 | 6,328 | 594 | 10.36% | 6,832 | 504 | 7.96% |
| Debt service | 4,961 | 5,485 | 524 | 10.56% | 6,036 | 551 | 10.05% |
| Capital projects | 5,683 | 7,203 | 1,520 | 26.75% | 7,010 | (193) | -2.68% |
| **Total disbursements** | **126,878** | **136,531** | **9,653** | **7.61%** | **132,863** | **(3,668)** | **-2.69%** |
| **Net other financing sources (uses)** | 403 | 571 | | | 460 | | |
| **Excess (Deficiency) of Receipts and Other Financing Sources Over Disbursements and Other Financing Use** | 274 | (1,363) | | | 468 | | |
| **Closing Fund Balance** | **4,859** | **3,496** | **(1,363)** | **-28.05%** | **3,964** | **468** | **13.39%** |

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

The SFY 2011-12 Executive Budget projects All Funds spending to decrease by approximately $3.7 billion or 2.7 percent from the previous year.

This reflects the winding down of American Recovery and Reinvestment Act (ARRA) revenue as indicated by a decrease of $5.8 billion or 11.6 percent in Federal grants.

## State Funds Cash Financial Plan

***SFY 2009-10 through SFY 2014-15***

***(millions of dollars)***

| | 2009-10 Actual | 2010-11 Revised | Change | Percent | 2011-12 Executive | Change | Percent |
|---|---|---|---|---|---|---|---|
| **Opening fund balance:** | **4,666** | **4,780** | **114** | **2.44%** | **3,352** | **(1,428)** | **-29.87%** |
| | | | | | | | |
| **Receipts:** | | | | | | | |
| Taxes | 57,668 | 60,763 | 3,095 | 5.37% | 64,783 | 4,020 | 6.62% |
| Miscellaneous receipts | 23,397 | 23,552 | 155 | 0.66% | 23,681 | 129 | 0.55% |
| Federal grants | 85 | 127 | 42 | 49.41% | 145 | 18 | 14.17% |
| **Total receipts** | **81,150** | **84,442** | **3,292** | **4.06%** | **88,609** | **4,167** | **4.93%** |
| | | | | | | | |
| **Disbursements** | | | | | | | |
| Grants to local governments | 53,203 | 56,401 | 3,198 | 6.01% | 57,846 | 1,445 | 2.56% |
| Departmental Operations: | | | | | | | |
| Personal Service | 12,748 | 12,428 | (320) | -2.51% | 11,787 | (641) | -5.16% |
| Non-Personal Service | 5,115 | 5,238 | 123 | 2.40% | 5,136 | (102) | -1.95% |
| General State charges | 5,501 | 6,048 | 547 | 9.94% | 6,522 | 474 | 7.84% |
| Debt service | 4,961 | 5,485 | | | 6,036 | | |
| Capital projects | 4,516 | 5,973 | | | 5,868 | | |
| **Total disbursements** | **86,044** | **91,573** | **5,529** | **6.43%** | **93,195** | **1,622** | **1.77%** |
| | | | | | | | |
| **Net other financing sources (uses)** | 5,008 | 5,703 | | | 5,078 | | |
| | | | | | | | |
| **Excess (Deficiency) of Receipts and Other Financing Sources Over Disbursements and Other Financing Use** | 114 | (1,428) | | | 492 | | |
| | | | | | | | |
| **Closing Fund Balance** | **4,780** | **3,352** | **(1,428)** | **-29.87%** | **3,844** | **492** | **14.68%** |

State Funds is the best measure of spending because it includes all State spending except Federal transfer payments (or grants).

The SFY 2011-12 Executive Budget projects a State Funds spending increase for $1.6 billion or 1.8 percent from the previous year.

According to the Division of the Budget the All Urban Consumer Price Index (CPI) for 2011 is trending upwards from .3 percent in SFY 2009-10 to 1.9 percent projected for SFY 2011-12.

## General Fund Cash Financial Plan

*SFY 2009-10 through SFY 2014-15*

*(millions of dollars)*

| | 2009-10 Actual | 2010-11 Revised | Change | Percent | 2011-12 Executive | Change | Percent |
|---|---|---|---|---|---|---|---|
| **Opening fund balance:** | **1,948** | **2,302** | **354** | **18.17%** | **1,359** | **(943)** | **-40.96%** |
| **Receipts:** | | | | | | | |
| Taxes | 36,997 | 39,162 | 2,165 | 5.85% | 42,023 | 2,861 | 7.31% |
| Miscellaneous receipts | 3,888 | 3,083 | (805) | -20.70% | 3,088 | 5 | 0.16% |
| Federal grants | 71 | 60 | (11) | -15.49% | 60 | 0 | 0.00% |
| **Total receipts** | **40,956** | **42,305** | **1,349** | **3.29%** | **45,171** | **2,866** | **6.77%** |
| **Disbursements** | | | | | | | |
| Grants to local governments | 34,234 | 37,322 | 3,088 | 9.02% | 38,318 | 996 | 2.67% |
| Departmental Operations: | | | | | | | |
| Personal Service | 6,610 | 6,240 | (370) | -5.60% | 5,693 | (547) | -8.77% |
| Non-Personal Service | 1,977 | 1,803 | (174) | -8.80% | 1,816 | 13 | 0.72% |
| General State charges | 3,594 | 4,124 | 530 | 14.75% | 4,658 | 534 | 12.95% |
| Debt service | 0 | 0 | | | 0 | | |
| Capital projects | 0 | 0 | | | 0 | | |
| **Total disbursements** | **46,415** | **49,489** | **3,074** | **6.62%** | **50,485** | **996** | **2.01%** |
| **Net other financing sources / (uses)** | 5,813 | 6,241 | | | 5,564 | | |
| **Excess (Deficiency) of Receipts and Other Financing Sources Over Disbursements / Other Financing Uses** | 354 | (943) | | | 250 | | |
| **Closing Fund Balance** | **2,302** | **1,359** | **(943)** | **-40.96%** | **1,609** | **250** | **18.40%** |

The General Fund is 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.

SFY 2011-12 General Fund Receipts are projected to increase by $2.9 billion or 6.77 percent from SFY 2010-11, this revenue growth is driven by a 7.3 percent increase in tax receipts.

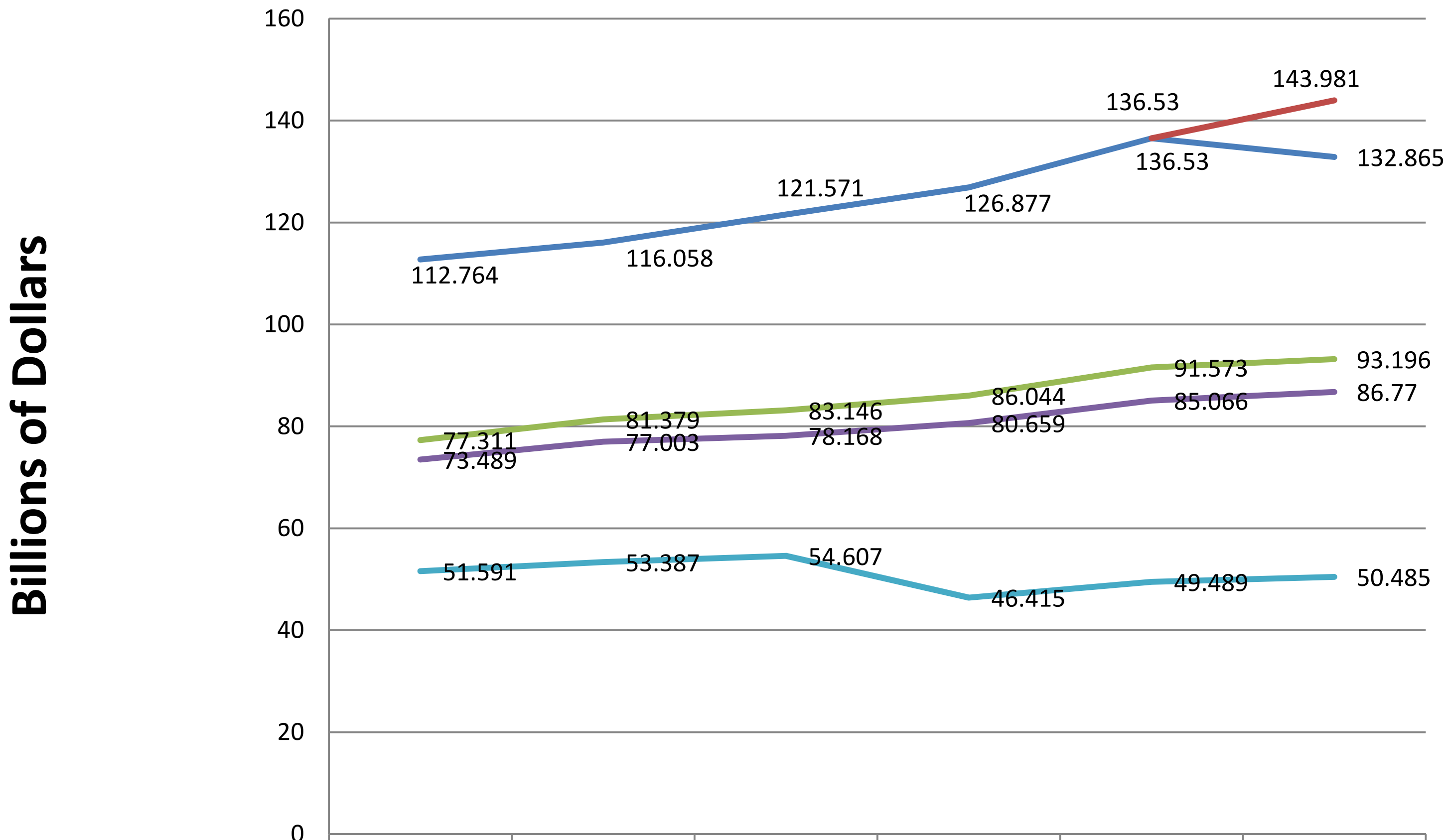
SFY 2011-12 General Fund Disbursements are projected to increase by $996 million, an increase of approximately two percent from SFY 2010-11.

Net other financing sources / (uses) is the net effect of transfer to and from the General Fund for things like debt service, capital projects and the State share of Medicaid on the disbursement side and excess debt service on the revenue side.

The SFY 2011-12 General Fund closing balance increases by $250 million from $1.36 billion to $1.61 billion , or 18.4 percent. This amount reflects $346 million in prior year labor agreements offset by $96 million in savings accruing from the Executive proposal to eliminate the Community Services Fund (007).

| Cash Disbursements By Function<br>SFY 2011-12 Executive Budget | All Funds<br>Thousands ($) | <br>Percent | State Funds<br>Thousands ($) | <br>Percent | State Operating Funds<br>Thousands ($) | <br>Percent | General Fund<br>Thousands ($) | <br>Percent |
|---|---|---|---|---|---|---|---|---|
| **Local Assistance** | | | | | | | | |
| Economic Development | 317,982 | 0.34% | 317,882 | 0.55% | 317,882 | 0.55% | 82,582 | 0.22% |
| Education, school aid | 23,688,080 | 25.11% | 19,502,380 | 33.71% | 19,502,380 | 34.04% | 16,610,380 | 43.35% |
| Education, STAR | 3,292,520 | 3.49% | 3,292,520 | 5.69% | 3,292,520 | 5.75% | 0 | 0.00% |
| Education, other | 2,962,457 | 3.14% | 1,697,143 | 2.93% | 1,683,143 | 2.94% | 1,668,031 | 4.35% |
| Health, other | 3,360,318 | 3.56% | 2,308,357 | 3.99% | 2,308,357 | 4.03% | 860,129 | 2.24% |
| Health, Medicaid (all components) | 41,226,291 | 43.69% | 17,283,206 | 29.88% | 15,896,156 | 27.75% | 12,196,726 | 31.83% |
| Higher Education | 2,617,079 | 2.77% | 2,609,138 | 4.51% | 2,571,138 | 4.49% | 2,555,138 | 6.67% |
| General Government | 85,383 | 0.09% | 28,976 | 0.05% | 28,976 | 0.05% | 28,437 | 0.07% |
| Local Government Assistance | 735,994 | 0.78% | 735,994 | 1.27% | 735,994 | 1.28% | 735,994 | 1.92% |
| Mental Hygiene (adjusted) | 1,765,256 | 1.87% | 1,610,148 | 2.78% | 2,889,410 | 5.04% | 28,568 | 0.07% |
| Parks and Environment | 369,950 | 0.39% | 78,680 | 0.14% | 23,680 | 0.04% | 18,830 | 0.05% |
| Public Protection | 713,780 | 0.76% | 319,292 | 0.55% | 319,292 | 0.56% | 135,249 | 0.35% |
| Social Welfare, other (adjusted) | 3,979,526 | 4.22% | 1,801,009 | 3.11% | 1,720,374 | 3.00% | 1,708,122 | 4.46% |
| Social Welfare, welfare asst / admin | 3,864,811 | 4.10% | 1,240,302 | 2.14% | 1,240,302 | 2.17% | 1,240,302 | 3.24% |
| Transportation | 5,095,585 | 5.40% | 4,510,720 | 7.80% | 4,246,115 | 7.41% | 99,574 | 0.26% |
| All Other | 279,083 | 0.30% | 510,083 | 0.88% | 510,083 | 0.89% | 349,495 | 0.91% |
| **Total Local Assistance** | **94,354,095** | **100.00%** | **57,845,830** | **100.00%** | **57,285,802** | **100.00%** | **38,317,557** | **100.00%** |
| **Percent of Total Spending** | | **71.02%** | | **62.07%** | | **66.02%** | | **75.90%** |
| **State Operations** | | | | | | | | |
| Personal Services | 12,475,969 | 48.99% | 11,787,487 | 50.28% | 11,787,487 | 50.28% | 5,693,232 | 46.79% |
| Non Personal Services | 6,155,580 | 24.17% | 5,136,059 | 21.91% | 5,136,059 | 21.91% | 1,815,828 | 14.92% |
| General State Charges | 6,832,768 | 26.83% | 6,522,348 | 27.82% | 6,522,348 | 27.82% | 4,657,939 | 38.28% |
| **Total State Operations** | **25,464,317** | **100.00%** | **23,445,894** | **100.00%** | **23,445,894** | **100.00%** | **12,166,999** | **100.00%** |
| **Percent of Total Spending** | | **19.17%** | | **25.16%** | | **27.02%** | | **24.10%** |
| **Capital Projects** | **7,010,159** | **100.00%** | **5,868,075** | **100.00%** | **1,985** | **100.00%** | **n/a** | **n/a** |
| **Percent of Total Spending** | | **5.28%** | | **6.30%** | | **0.00%** | | |
| **Debt Service** | **6,036,325** | **100.00%** | **6,036,325** | **100.00%** | **6,036,325** | **100.00%** | **n/a** | **n/a** |
| **Percent of Total Spending** | | **4.54%** | | **6.48%** | | **6.96%** | | |
| **Total SFY 2011-12 Spending** | **$132,864,896** | **100%** | **$93,196,124** | **100%** | **$86,770,006** | **100%** | **$50,484,556** | **100%** |

# Five Year Cash Disbursements Trend




| | 06-07 | 07-08 | 08-09 | 09-10 | 10-11 | 11-12 |
|---|---|---|---|---|---|---|
| All Funds | 112.764 | 116.058 | 121.571 | 126.877 | 136.53 | 132.865 |
| All Funds - Current Law | | | | | 136.53 | 143.981 |
| State Funds | 77.311 | 81.379 | 83.146 | 86.044 | 91.573 | 93.196 |
| State Operating Funds | 73.489 | 77.003 | 78.168 | 80.659 | 85.066 | 86.77 |
| General Fund | 51.591 | 53.387 | 54.607 | 46.415 | 49.489 | 50.485 |

# Workforce Impact Summary
## All Funds
## 2009-10 Through 2011-12

| | 2009-10 Actuals (03/31/10) | Starting Estimate (03/31/11) | Layoffs* | Attritions | New Fills | Net Change | Ending Estimate (03/31/12) |
|---|---|---|---|---|---|---|---|
| **Major Agencies** | | | | | | | |
| Children and Family Services | 3,555 | 3,351 | 0 | -345 | 765 | 420 | 3,771 |
| Correctional Services | 30,104 | 29,878 | 0 | -940 | 345 | 1,298 | 31,176 |
| Education Department, State | 2,976 | 2,806 | 0 | -141 | 141 | 0 | 2,806 |
| Environmental Conservation | 3,454 | 3,003 | 0 | -52 | 52 | 0 | 3,003 |
| General Services | 1,519 | 1,371 | 0 | -44 | 47 | 3 | 1,374 |
| Health | 5,388 | 5,055 | 0 | -151 | 288 | 137 | 5,192 |
| Labor | 3,982 | 3,949 | 0 | -284 | 312 | 28 | 3,977 |
| Mental Health | 16,173 | 15,760 | 0 | -1,592 | 1,492 | -100 | 15,660 |
| Motor Vehicles | 2,750 | 2,472 | 0 | -49 | 49 | 0 | 2,472 |
| Parks, Recreation and Historic Preservation | 2,053 | 1,785 | 0 | -28 | 28 | 0 | 1,785 |
| Parole | 1,973 | 1,893 | 0 | -70 | 70 | -1,893 | 0 |
| People with Developmental Disabilities | 21,530 | 21,367 | 0 | -1,854 | 1,679 | -175 | 21,192 |
| State Police | 5,704 | 5,439 | 0 | -234 | 104 | -130 | 5,309 |
| Taxation and Finance | 5,263 | 5,008 | 0 | -336 | 336 | 0 | 5,008 |
| Temporary and Disability Assistance | 2,259 | 2,248 | 0 | -157 | 157 | 0 | 2,248 |
| Transportation | 9,963 | 8,708 | 0 | -265 | 265 | 0 | 8,708 |
| Workers' Compensation Board | 1,395 | 1,450 | 0 | -60 | 76 | 16 | 1,466 |
| **Subtotal - Major Agencies** | **120,041** | **115,543** | **0** | **-6,602** | **6,206** | **-396** | **115,147** |
| **Minor Agencies** | **11,700** | **11,091** | **-29** | **-475** | **610** | **129** | **11,220** |
| **Subject to Direct Executive Control** | **131,741** | **126,634** | **-29** | **-7,077** | **6,816** | **-267** | **126,367** |
| Workforce Savings Adjustment | 0 | 0 | -9,748 | -1,830 | 68 | -11,510 | -11,510 |
| **University Systems** | | | | | | | |
| City University of New York | 13,073 | 12,933 | 0 | -1,099 | 1,099 | 0 | 12,933 |
| State University Construction Fund | 129 | 172 | 0 | -15 | 15 | 0 | 172 |
| State University of New York | 41,900 | 41,815 | 0 | -3,555 | 3,955 | 400 | 42,215 |
| **Off-Budget Agencies** | | | | | | | |
| Roswell Park Cancer Institute | 2,025 | 2,025 | 0 | -162 | 162 | 0 | 2,025 |
| Science, Technology and Innovation | 25 | 23 | -23 | 0 | 0 | -23 | 0 |
| State Insurance Fund | 2,547 | 2,564 | 0 | -205 | 205 | 0 | 2,564 |
| **Independently Elected Agencies** | 4352 | 4299 | 0 | 0 | 0 | -23 | 4276 |
| **Grand Total** | **195,792** | **190,465** | **-9,800** | **-13,943** | **12,320** | **-11,423** | **179,042** |

# Workforce Impact Summary
## All Funds
## 2009-10 Through 2011-12

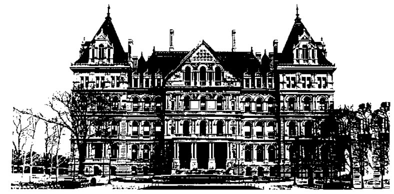
| | 2009-10 Actuals (03/31/10) | Starting Estimate (03/31/11) | Layoffs | Attritions | New Fills | Fund Shifts | Mergers | Net Change | Ending Estimate (03/31/12) |
|---|---|---|---|---|---|---|---|---|---|
| **Minor Agencies** | | | | | | | | | |
| Adirondack Park Agency | 65 | 56 | 0 | (2) | 2 | 0 | 0 | 0 | 56 |
| Aging | 122 | 121 | 0 | 0 | 0 | 0 | 0 | 0 | 121 |
| Agriculture and Markets | 557 | 511 | 0 | (9) | 9 | 0 | 0 | 0 | 511 |
| Alcoholic Beverage Control | 141 | 140 | 0 | 0 | 0 | 0 | 0 | 0 | 140 |
| Alcoholism and Substance Abuse Services | 886 | 842 | 0 | (94) | 69 | 0 | 0 | (25) | 817 |
| Arts | 42 | 29 | 0 | 0 | 0 | 0 | 0 | 0 | 29 |
| Banking Department | 538 | 555 | 0 | (24) | 24 | 0 | (555) | (555) | 0 |
| Budget the | 353 | 304 | 0 | (24) | 24 | 0 | 3 | 3 | 307 |
| Civil Service | 482 | 444 | 0 | (15) | 15 | 0 | 0 | 0 | 444 |
| Consumer Protection Board | 25 | 23 | 0 | 0 | 0 | 0 | (23) | (23) | 0 |
| Correction | 32 | 29 | 0 | 0 | 0 | 0 | (29) | (29) | 0 |
| Criminal Justice Services | 646 | 657 | 0 | (20) | 20 | 0 | 130 | 130 | 787 |
| Deferred Compensation Board | 4 | 4 | 0 | 0 | 0 | 0 | 0 | 0 | 4 |
| Economic Development | 167 | 134 | 0 | (4) | 4 | 0 | 0 | 0 | 134 |
| Elections | 62 | 60 | 0 | 0 | 0 | 0 | 0 | 0 | 60 |
| Employee Relations | 47 | 43 | 0 | (1) | 1 | 0 | 0 | 0 | 43 |
| Environmental Facilities Corporation | 88 | 88 | 0 | 0 | 0 | 0 | 0 | 0 | 88 |
| Executive Chamber | 144 | 136 | 0 | (10) | 10 | 0 | 0 | 0 | 136 |
| Financial Control Board | 14 | 15 | 0 | 0 | 0 | 0 | 0 | 0 | 15 |
| Financial Regulation | 0 | 0 | 0 | 0 | 0 | 0 | 1,538 | 1,538 | 1,538 |
| Higher Education Services Corporation | 600 | 516 | 0 | (29) | 29 | 0 | 0 | 0 | 516 |
| Homeland Security and Emergency Services | 169 | 404 | 0 | (12) | 41 | 0 | 0 | 29 | 433 |
| Housing and Community Renewal | 890 | 757 | 0 | (33) | 33 | 0 | 0 | 0 | 757 |
| Hudson River Valley Greenway Communities Council | 1 | 1 | 0 | 0 | 0 | 0 | 0 | 0 | 1 |
| Human Rights | 213 | 195 | 0 | (14) | 14 | 0 | 0 | 0 | 195 |
| Indigent Legal Services | 0 | 20 | 0 | 0 | 0 | 0 | 0 | 0 | 20 |
| Inspector General | 60 | 58 | 0 | 0 | 0 | 0 | 0 | 0 | 58 |
| Insurance Department | 904 | 976 | 0 | (36) | 36 | 0 | (976) | (976) | 0 |
| Interest on Lawyer Account | 8 | 8 | 0 | 0 | 0 | 0 | 0 | 0 | 8 |
| Judicial Commissions | 47 | 48 | 0 | (5) | 5 | 0 | 0 | 0 | 48 |
| Labor Management Committees | 82 | 91 | 0 | 0 | 0 | 0 | 0 | 0 | 91 |
| Lieutenant Governor | 0 | 7 | 0 | (1) | 1 | 0 | 0 | 0 | 7 |
| Lottery | 332 | 319 | 0 | (15) | 65 | 0 | 0 | 50 | 369 |
| Medicaid Inspector General | 603 | 662 | 0 | (14) | 14 | 0 | 0 | 0 | 662 |
| Military and Naval Affairs | 529 | 417 | 0 | (10) | 35 | 0 | 0 | 25 | 442 |
| National and Community Service | 0 | 10 | 0 | 0 | 0 | 0 | 0 | 0 | 10 |
| Prevention of Domestic Violence | 27 | 26 | 0 | 0 | 0 | 0 | (26) | (26) | 0 |
| Probation and Correctional Alternatives | 33 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| Public Employment Relations Board | 36 | 35 | 0 | 0 | 0 | 0 | 0 | 0 | 35 |
| Public Integrity | 48 | 46 | 0 | (2) | 2 | 0 | 0 | 0 | 46 |
| Public Service Department | 526 | 531 | 0 | (11) | 14 | 0 | 0 | 3 | 534 |
| Quality of Care and Advocacy for Persons With Disabilities | 100 | 91 | 0 | (6) | 6 | 0 | 0 | 0 | 91 |
| Racing and Wagering Board | 121 | 105 | 0 | (8) | 8 | 0 | 0 | 0 | 105 |
| Real Property Services | 304 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| Regulatory Reform | 19 | 14 | (11) | 0 | 0 | 0 | (3) | (14) | 0 |
| State | 783 | 596 | (18) | (45) | 45 | 0 | 16 | (2) | 594 |
| Statewide Financial System | 0 | 113 | 0 | 0 | 0 | 0 | 23 | 23 | 136 |
| Statewide Wireless Network | 31 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| Tax Appeals | 31 | 24 | 0 | (1) | 1 | 0 | 0 | 0 | 24 |
| Technology | 594 | 651 | 0 | (30) | 82 | 0 | 0 | 52 | 703 |
| Veterans' Affairs | 104 | 97 | 0 | 0 | 1 | 0 | 0 | 1 | 98 |
| Victim Services | 84 | 75 | 0 | 0 | 0 | 0 | (75) | (75) | 0 |
| Welfare Inspector General | 6 | 7 | 0 | 0 | 0 | 0 | 0 | 0 | 7 |
| **Subtotal - Minor Agencies** | **11,700** | **11,091** | **(29)** | **(475)** | **610** | **0** | **23** | **129** | **11,220** |

| SFY 2011-12 IMPACT OF PROPOSED CUTS TO HOSPITALS | | | | | | | |
|---|---|---|---|---|---|---|---|
| **Regions** | | | | | | | |
| New York City | No Data Available | | | | | | |
| Long Island | | | | | | | |
| Northern Metropolit | | | | | | | |
| Northeastern | | | | | | | |
| Central | | | | | | | |
| Rochester Regiona | | | | | | | |
| Utica / Watertown | | | | | | | |
| Western New York | | | | | | | |
| **Total** | **$0** | **$0** | **$0** | **$0** | **$0** | **$0** | **$0** |

| SFY 2011-12 IMPACT OF PROPOSED CUTS TO NURSING HOMES | | | | | | | |
|---|---|---|---|---|---|---|---|
| **Regions** | | | | | | | |
| New York City | No Data Available | | | | | | |
| Long Island | | | | | | | |
| Northern Metropolit | | | | | | | |
| Northeastern | | | | | | | |
| Central | | | | | | | |
| Rochester Regiona | | | | | | | |
| Utica / Watertown | | | | | | | |
| Western New York | | | | | | | |
| **Total** | **$0** | **$0** | **$0** | **$0** | **$0** | **$0** | **$0** |

The Governor has issued Executive Order Number Five, which established the Medicaid Redesign Team (MRT). The MRT has 27 voting members, chosen from health care providers, consumers and industry experts. The team will conduct a comprehensive review of New York's Medicaid Program and report its findings and recommendations for savings to the Governor by March 1, 2011, for consideration in the budget negotiation process.

# Education Fact Sheet



The Executive Budget recommends $30.4 billion in All Funds Cash Disbursements a decrease of $90.9 million (-0.3%) from the SFY 2010-11 budget.

- The net change primarily reflects the loss of Federal American Recovery and Reinvestment Act of 2009 (ARRA) funds, a reduction to School Aid and other educational programs. The addition of $500 million for two new performance programs for school districts has no monetary value in the SFY 2010-11 and does not impact the net change.

- The Executive Budget also reduces each agency's General Fund State Operations budget by 10 percent.

- **School Aid**: The Executive Budget proposes $19.39 billion in School Aid for the 2011-12 school year. The Executive Budget maintains formula aid categories that provide operating support at current levels and recommends a $2.79 billion Gap Elimination Adjustment (GEA) for the 2011-12 school year. The GEA, combined with the loss of $1.34 billion in one-time Federal funding, and growth in expense based aids of $305 million results in an overall School Aid year-to-year reduction of $1.54 billion (-7.3 percent).

- **Foundation Aid:** The Executive Budget recommends freezing Foundation Aid for the 2011-12 school year to the amount provided for the 2010-11 school year, $14.89 billion. The Executive Budget recommends extending the full phase-in of Foundation Aid to 2016-17.

- **Gap Elimination Adjustment:** The Executive Budget recommends a Gap Elimination Adjustment (GEA) or an aid decrease of $2.79 billion for the 2011-12 school year. This approach reduces School Aid by, accounting for each school district's wealth, student need, administrative efficiency, and residential property tax burden it would also allow low wealth districts to receive proportionally smaller reduction compared to high wealth districts. The GEA would be applied against formula-based School Aid, excluding Building Aid and Universal Prekindergarten Aid.

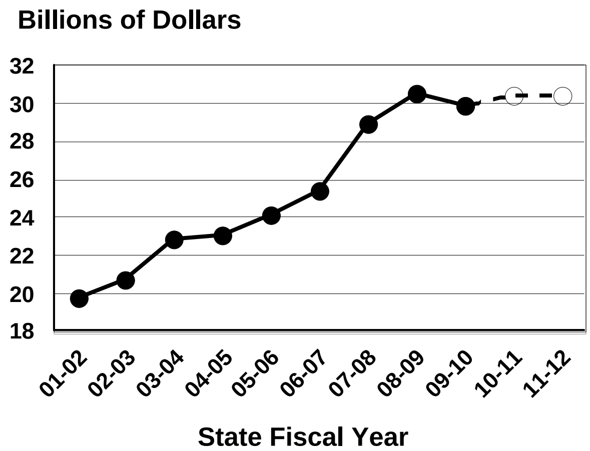
- **School District Performance Improvement Awards:** Grants totaling $250 million will be awarded to school districts that demonstrate significant improvements in their student performance outcomes. This program would build upon the objectives of the Race to the Top program by providing additional State funding to those school districts with most improved academic achievement gains and student outcomes. **No disbursements are anticipated from this appropriation in the SFY 2011-12**

- **School District Management Efficiency Awards:** Competitive grants totaling $250 million will be awarded to school districts that undertake long-term structural changes which will reduce costs and improve efficiency. **No disbursements are anticipated from this appropriation in the SFY 2011-12**

| Executive School Aid Proposal | | | | |
|---|---|---|---|---|
| Category | School Year 2010-2011 | School Year 2011-2012 | Change | % Change |
| Foundation Aid | $14,893.62 | $14,893.62 | $0.00 | 0.00% |
| Universal Pre-Kindergarten | $393.00 | $393.00 | $0.00 | 0.00% |
| ARRA Federal Funding | $1,333.51 | $0.00 | ($1,333.51) | -100.00% |
| Gap Elimination Adjustment | ($2,138.07) | ($2,785.79) | ($647.72) | -3% |
| Expense Based Aid | $5,769.00 | $6,074.00 | $305.00 | 5% |
| Other Aid Categories/ Initiatives | $806.00 | $815.00 | $9.00 | 0.10% |
| FMAP Contigency Reduction | ($132.00) | $0.00 | $132.00 | |
| **Total** | **$20,925.06** | **$19,389.83** | **($1,535.23)** | **-7.34%** |

# EDUCATION

| All Funds Disbursements (Millions of Dollars) | Estimated SFY 10-11 | Projected SFY 11-12 |
|---|---|---|
| Cash | 30,478,058 | 30,387,160 |
| Annual Growth Rate | 1.7% | -0.3% |
| 5 Year Average Growth (Actual) | | 5.4% |




The Executive Budget recommends $30.4 billion in All Funds Cash disbursements support, decrease of $90.9 million (-0.3 percent) from the 2010-11 budget. This net change primarily reflects the loss of Federal American Recovery and Reinvestment Act of 2009 (ARRA) funds, a reduction to School Aid and other educational programs. The addition of $500 million for two new performance programs for school districts has no monetary value and therefore has no impact in the SFY 2010-11. In addition, the SFY 2010-11 All Funds Disbursements excludes a $2 billion deferral from State Fiscal Year 2009-10.

The Executive Budget also reduces each agency's General Fund State Operations budget by 10 percent. These savings are intended to be achieved through administrative efficiencies in nonpersonal service and negotiated workforce savings that minimize layoffs to the extent possible.

## OFFICE OF PREKINDERGARTEN THROUGH GRADE TWELVE EDUCATION PROGRAM

**School Aid** The 2011-12 Executive Budget proposes $19.39 billion in School Aid for the 2011-12 school year. The Executive Budget maintains formula aid categories that provide operating support at current levels and recommends a $2.79 billion Gap Elimination Adjustment (GEA) for the 2011-12 school year. The GEA, combined with the loss of $1.34 billion in one-time Federal funding, and growth in expense based aids of $305 million results in an overall School Aid year-to-year reduction of $1.5 billion (-7.3 percent).

**Executive School Aid Proposal**

| Category | School Year 2010-2011 | School Year 2011-2012 | Change | % Change |
|---|---|---|---|---|
| Foundation Aid | $14,893.62 | $14,893.62 | $0.00 | 0.00% |
| Universal Pre-Kindergarten | $393.00 | $393.00 | $0.00 | 0.00% |
| ARRA Federal Funding | $1,333.51 | $0.00 | ($1,333.51) | -100.00% |
| Gap Elimination Adjustment | ($2,138.07) | ($2,785.79) | ($647.72) | -30.3% |
| Expense Based Aid | $5,769.00 | $6,074.00 | $305.00 | 5% |
| Other Aid Categories/ Initiatives | $806.00 | $815.00 | $9.00 | 0.10% |
| FMAP Contigency Reduction | ($132.00) | $0.00 | $132.00 | |
| Total | $20,925.06 | $19,389.83 | ($1,535.23) | -7.34% |

**Even with these proposed changes GSPS will have grown $4.9 billion since 2003-04 school year.**

| State Aid School Year | Total Funding | Change | % Change |
|---|---|---|---|
| 2003-04 | 14,485.78 | | |
| 2004-05 | 15,369.56 | 883.78 | 6.10% |
| 2005-06 | 16,387.53 | 1,017.97 | 6.60% |
| 2006-07 | $17,879.06 | $1,491.53 | 9% |
| 2007-08 | $19,649.65 | $1,770.59 | 9.90% |
| 2008-09 | $21,452.19 | $1,802.54 | 9.20% |
| 2009-10 | $21,686.62 | $234.43 | 1% |
| 2010-11 | $20,925.28 | ($761.34) | -3.50% |
| 2011-12 (Proposed) | $19,389.68 | ($1,535.60) | -7.30% |
| Total | $167,225.35 | $4,903.90 | 3.40% |

**Gap Elimination Adjustment:** The Executive Budget recommends a Gap Elimination Adjustment (GEA) or an aid decrease of $2.79 billion for the 2011-12 school year. This approach reduces School Aid, by accounting for each school district's wealth, student need, administrative efficiency, and residential property tax burden it would also allow low wealth districts to receive a proportionally smaller reduction compared to high wealth districts. The GEA would be applied against formula-based School Aid, excluding Building Aid and Universal Prekindergarten Aid.

**Foundation Aid:** The Executive Budget recommends freezing Foundation Aid for the 2011-12 school year to the amount provided for the 2010-11 school year, $14.89 billion and the Executive Budget recommends extending the full phase-in of Foundation Aid from 2013-14 to 2016-17.

**Early Childhood Education:** The Executive Budget recommends maintaining funding for Universal Prekindergarten for the 2011-12 school year at the 2010-11 level of $393 million. The planned full phase-in will be extended from the 2013-14 school year to the 2016-17 school year, consistent with the proposed phase-in of Foundation Aid. Existing statutory provisions for school districts to receive Full-Day Kindergarten Conversion Aid are continued.

**Building Aid:** The Executive Budget recommends $2.66 billion in 2011-12 State support for the construction of school facilities with a $2 billion approved expenditure cap for reimbursement. This reflects an increase of $171 million from the 2010-11 school year. Funding would be awarded based on a competitive application process that considers the need for the project, the age of the building to be renovated or replaced, and the fiscal capacity of the school districts.

**Boards of Cooperative Educational Services (BOCES):** The Executive Budget recommends $720 million in BOCES Aid for 2011-12, an increase of more than $18 million from the 2010-11 school year. Beginning with aid payable in 2012-13, the Executive Budget would distribute BOCES Aid based on the same State aid ratio as Foundation Aid. In addition, beginning with costs reimbursed in 2012-13 certain noninstructional services provided by BOCES would no longer be aidable. For example services that would become non aidable include but are not limited to school food services, extracurricular activities, and energy management. The Executive is projecting a savings of $135 million for the 2012-13 school year if implemented.

**Special Services Aid:** The Executive Budget recommends total funding of $214 million, an increase of $2.8 million (1.3 percent) from the 2010-11 funding level. This amount is calculated under existing statutory provisions. This aid category funds career education programs and computer services for school districts that are not component districts of BOCES.

**Transportation Aid:** The Executive Budget recommends $1.65 billion for reimbursement for the costs of transporting students. This represents an increase of $71 million (4.5 percent) from the 2010-11 funding level. In addition, the Executive Budget would encourage districts to engage in shared services and other efficiency measures.

**Private Special Education Aid:** The Executive Budget recommends $343 million the amount that is calculated under existing statutory provisions. This represents an increase of $12.3 million (3.7 percent) from the 2010-11 funding level.

**High Cost Special Education Aid:** The Executive Budget recommends $483 million the amount that is calculated under existing statutory provisions. This represents an increase of $28.5 million (6.3 percent) from the 2010-11 funding level.

**Other Operating Support Programs:** The Executive Budget maintains funding at 2010-11 levels for various programs that can be used by school districts for operating support. These programs include the following: High Tax Aid, Supplemental Public Special Education Aid, the New York City Academic Achievement Grant, Academic Enhancement Aid, and the Supplemental Educational Improvement Plan Grant.

**Other Programs:** The Executive Budget recommends funding based on existing statutory formulas for several programs including the following: Textbook Aid, Library Materials Aid, Computer Software Aid, Computer Hardware Aid, Full Day Kindergarten Conversion Aid and Reorganization Operating Aid. In addition, funding levels based on existing reimbursement methodologies are recommended for certain other categorical programs, including Urban-Suburban Transfer, Education of Homeless Pupils, Education of Incarcerated Youth, Education of Office of Mental Health/Office for People with Developmental Disabilities students, and Native American Building Aid.

**Charter Schools:** The Executive Budget provides $25.1 million in Transitional Aid for school districts impacted by a concentration of charter schools, as well as $4.8 million for technical assistance and start-up grants for charter schools.

**Article VII**
Charter School tuition payments will remain at the 2010-11 levels for the 2011-12 and 2012-13 school years.

**Roosevelt Union Free School District:** The Executive Budget recommends a $6 million Academic Improvement Grant for the Roosevelt Union Free School District. This is the same amount provided to Roosevelt in the 2010-11 school year.

**Teachers of Tomorrow:** The Executive Budget continues this $25 million incentive program, which provides awards and stipends to retain and attract teachers into New York State classrooms in areas where teacher shortages exist.

**Teacher-Mentor Intern:** program funding is maintained at the 2010-11 funding level of $2 million.

**Bilingual Education/English Language Learners:** The Executive Budget maintains $12.5 million in funding for Bilingual Education grants. These funds support programs which include technical assistance centers, two-way bilingual classrooms, intensive bilingual teacher training and leadership programs.

**Federal Race to the Top:** The Executive Budget continues the Federal Race to the Top program. In August 2010, New York State was awarded $696.6 million in Race to the Top funding. Over the next four years, Race to the Top funding will be spent consistent with a plan submitted by the State Education Department and approved by the U.S. Department of Education that includes providing at least 50 percent of the funds to schools to be used for implementing the new reforms. The balance of funds will be used for statewide capacity building and supplemental grants to schools related to the reform initiatives.

**Reimbursement for the Metropolitan Commuter Transportation Mobility Tax:** The Executive Budget includes an increase of $10 million to $70 million for full reimbursement of school district expenses for the mobility tax.

**Mandate Relief:** The Governor created the Mandate Relief Redesign Team by Executive Order. This team – made up of 20 representatives of the Legislature, local government, education and private industry – will conduct a review of mandates imposed on school districts and other local taxing districts in order to look for the best and most cost-effective ways to deliver mandated programs and services and identify mandates that are ineffective, unnecessary, outdated and duplicative. The Team will report to the Governor on March 1, 2011.

**Maintain the Contract for Excellence Program:** 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 will be permitted to decline by the same percentage as the district's formula-based aid is reduced under the Gap Elimination Adjustment. This approach will ensure the continued participation of 23 school districts, including all "Big Five"city school districts (New York City, Buffalo, Rochester, Syracuse and Yonkers). Yonkers is the only "Big Five" district currently in the Contract for excellence program.

**Allow Access to Employee Benefit Accrued Liability Reserve Funds:** In order to maintain educational programming during the 2011-12 school year, a school district's governing board would be permitted to authorize a withdrawal of excess funds in an employee benefits accrued liability reserve fund. The amount withdrawn could not exceed the Gap Elimination Adjustment for a school district. The State Comptroller would first certify that the amount remaining in the Fund is sufficient to meet employee benefit requirements after the withdrawal.

**Performance Incentives**

The 2011-12 Executive Budget includes a competitive program to reward efficient and improving schools, modeled on the Federal Race to the Top program. A total of $500 million will be awarded via two $250 million competitive grants: **No disbursements are expected for this program in SFY 2011-12.**

<u>School District Performance Improvement Awards</u>:

Grants totaling $250 million will be awarded to school districts that demonstrate significant improvements in their student performance outcomes. This program would build upon the objectives of the Race to the Top program by providing additional State funding to those school districts with most improved academic achievement gains and student outcomes.

<u>School District Management Efficiency Awards</u>:

Competitive grants totaling $250 million will be awarded to school districts that undertake long-term structural changes which will reduce costs and improve efficiency.

**Special Education**

**School-Age Special Education**

School districts receive funding for special education services provided to school-age children through the Foundation Aid formula. In addition, Public High Cost Special Education Aid and Private Special Education Aid supplement Foundation Aid for students with severe needs. The Executive Budget recommends continuing existing statutory provisions for these two aid categories with total funding of $825 million for the 2011-12 school year, an increase of $41 million (5 percent).

**Preschool Special Education**
Approximately 500 providers (school districts, BOCES, and private entities) operate preschool special education programs that provide educational and therapeutic services to approximately 100,000 children aged 3 to 5 during any given school year. The General Fund recommendation of $868 million will support a 59.5 percent State share of preschool special education program costs in the 2011-12 fiscal year.

**Summer School Special Education**
The summer school special education program supports educational services provided during July and August for approximately 43,000 disabled students aged 5 to 21. The State has historically supported 70 percent of the total education, transportation and maintenance costs of these programs regardless of a school district's relative wealth. The 2011-12 Executive Budget proposes the priority of payment will be for claims for services provided during the 2011-12 school year, with State reimbursement for costs incurred for prior school years limited to $100 million during the upcoming fiscal year.

**Private Schools for the Blind and Deaf**
Nearly 1,500 students attend 11 State-supported private schools for the blind and deaf. Unlike other private special education schools, these schools have historically been funded through a straight State appropriation. As such, State support for the costs of students attending these schools would be provided through Private Excess Cost Aid, as is the case for students attending other private special education schools at the direction of school districts. The move to a formula based aid disbursement would result in a savings of $98 million in the 2011-12 fiscal year and $14 million in the 2012-13 fiscal year.

**Education Related Programs**
The Executive Budget recommends a net year-to-year reduction of approximately $23.5 million in funding for education-related programs.

**Major actions include:**

**Aid for Nonpublic Schools:**
The Executive Budget provides nonpublic schools $74.2 million in aid for mandated services and $26.2 million for the comprehensive attendance-taking program. This represents a decrease of $8.7 million (-8 percent) from the 2010-11 Enacted Budget.

**State Operations**
For 2011-12, SED's proposed General Fund State Operations budget totals $38 million, a decrease of $4 million from the 2010-11 Enacted Budget.

**<u>CULTURAL EDUCATION</u>**
**Library Aid:**
The Executive Budget provides $76 million in funding for Library Aid; this represents a decrease of $8.4 million (-10 percent) from the 2010-11 Enacted Budget. In addition, $14 million in capital funding is included for public library construction projects.

**Public Broadcasting Aid:**
The Executive Budget provides $13.5 million in State support for New York's public broadcasting stations, which includes support for eight public radio stations, three public television stations, and five stations that broadcast both radio and television. This represents a decrease of $1.5 million (-10 percent) from the 2010-11 Enacted Budget.

## OFFICE OF HIGHER EDUCATION AND THE PROFESSIONS PROGRAM

**Bundy Aid:**

The Executive Budget recommends $35.1 million for Unrestricted Aid for Independent Colleges and Universities, also known as Bundy Aid. This represents a $3.9 million (-10 percent) decrease from the 2010-11 Enacted Budget.

**Education Improvement Performance Grants:**
The Executive Budget includes new funding of $1.7 million for competitive grants for programs with demonstrated success in improving achievement outcomes.

**Capital Projects:**
The Executive Budget includes $3.4 million in new capital support for various minor rehabilitation projects to maintain SED's facilities. This represents a decrease of 50 percent from the 2010-11 funding level of $6.8 million and is consistent with the Department's priorities. SED will use these funds for various health and safety and critical infrastructure projects at its 24 State-owned buildings.

## ADULT CAREER AND CONTINUING EDUCATION SERVICES PROGRAM

**ACCES**

The former Vocational and Educational Services for Individuals with Disabilities (VESID) program is now called Adult Career and Continuing Education Services (ACCES). Special education, formerly part of VESID, is now under the auspices of the new Office of Prekindergarten through Grade Twelve Education. The new structure of ACCES has also taken over the GED program increasing overall funding by $300,000.

## SCHOOL TAX RELIEF PROGRAM

**School Tax Relief (STAR)**

The Executive Budget provides $3.3 billion for the STAR program comprised of the Enhanced STAR exemption for eligible senior citizens, the Basic STAR exemption for other qualified homeowners, and the New York City Personal Income tax rate reduction and refundable tax credit.

**Major budget actions include:**

**Adjust STAR Exemption Benefit:**
To control spending growth, the Executive Budget limits growth in exemption benefits to two percent annually commensurate with the proposed property tax cap. This change is worth $125 million in 2011-12.

**Audit STAR Recipients to Discover and Eliminate Fraud:** The Tax Department will use its in-house database management systems to identify those homeowners who do not qualify for the benefit, then send a list to local assessors to verify. This is expected to produce annual savings of $50 million starting in 2012-13.

**Create a Mechanism for STAR Recipients to Repay Improper Exemption:**
The Executive Budget creates a mechanism for STAR recipients to repay (with interest and a $500 processing fee) STAR exemptions received that they acknowledge they were not entitled to. This will generate $100,000 in 2011-12.

**School Property Tax Relief**
In 2011-12, approximately 630,000 senior homeowners will be eligible to receive an enhanced exemption. The statewide average STAR enhanced benefit for seniors is estimated at $1,253. To be eligible for the enhanced benefit, residential property owners must be at least 65 years of age (if property is owned by husband and wife or by siblings, then one of them must be at least 65 years old. Certain nursing home

residents are eligible). In addition to the age requirement, annual income cannot exceed $79,050 to receive benefits in 2011.

In 2011-12, the school property tax exemption will provide over 2.8 million qualified homeowners who are not eligible for the senior citizen enhanced exemption with a full value equivalent homestead exemption of at least $30,000. Statewide tax savings relating to this basic STAR exemption will average $681.

The exemptions provided to homeowners living in counties where median home sale prices exceed the statewide median are adjusted upward from the minimums stated above to account for regional variations in property values.

***New York City Tax Reduction***

Under the current STAR program, New York City's more than 3 million resident personal income taxpayers receive a rate reduction benefit on the first $500,000 of income.

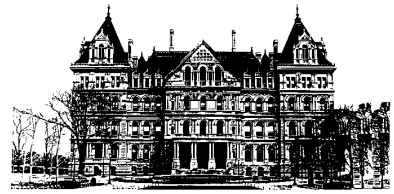
Those taxpayers whose income is below certain thresholds also receive a flat refundable credit.

Total New York City taxpayer savings will be nearly $580 million in 2011-12, or about 7 percent of tax liability.

## Education
## Proposed Disbursements - All Funds

| (Millions of Dollars) | | | | |
|---|---|---|---|---|
| | Estimated | Proposed | Change | |
| Agency | 2010-11 | 2011-12 | Amount | Percent |
| School Aid SFY | 23,910,710 | 23,688,080 | (222,630) | -0.9% |
| STAR | 3,269,866 | 3,292,520 | 22,654 | 0.7% |
| Programs for the Disabled | 2,203,888 | 2,227,545 | 23,657 | 1.1% |
| All Other | 1,093,594 | 1,179,015 | 85,421 | 7.8% |
| **Totals:** | **30,478,058** | **30,387,160** | **(90,898)** | **-0.3%** |

# Higher Education / Arts Fact Sheet

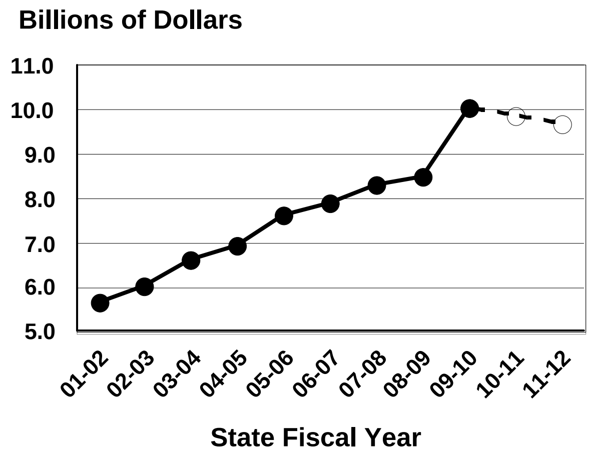


The Executive proposed funding decrease of $400 million on a State Fiscal year is achieved through a reduction in General Fund Support for:

- SUNY State Operated Colleges (-$100 million);
- SUNY Statutory Colleges (-$15.4 million);
- SUNY Community College Base Aid (-$33.1 million);
- CUNY Senior Colleges (-$71 million);
- CUNY Community College Base aid (-$13.1 million).
- Elimination of the SUNY Hospital Subsidy for the three teaching hospitals in Brooklyn, Stony Brook, and Syracuse (-$135 million). In addition the Executive Budget provides for the following: Reduce Funding for NYHELPs ($6 million); reduces arts grants funding by 10 percent, a $4 million decrease from $35.2 million to $31.6 million.
- The Executive maintains current formulas for allocating TAP awards for an additional $30.8 million in savings.
- Extend the McGee Nursing Faculty Scholarship Program and the Nursing Faculty Loan Forgiveness Program (+$3.8 million);
- Extend the Regents Licensed Social Worker Loan Forgiveness Program (+$0);
- Extend the Regents Physician Loan Forgiveness Program (+$3.9 million);
- The Executive Budget recommends $35.1 million for Unrestricted Aid for Independent Colleges and Universities, also known as Bundy Aid. This represents a $3.9 million (-10 percent) decrease from the 2010-11 levels.

# HIGHER EDUCATION

| All Funds Disbursements (Thousands of Dollars) | Estimated SFY 10-11 | Projected SFY 11-12 |
|---|---|---|
| Cash | 9,773,110 | 9,699,775 |
| Annual Growth Rate | 0.2% | -0.7% |
| 5 Year Average Growth (Actual) | | 7.8% |




The SFY 2011-12 Executive Budget recommends All Funds disbursements of $9.7 billion for New York State public and private higher education programs, a decrease of $73.33 million or -.7 percent less than 2010-11 disbursement levels. The funding decrease is achieved through a reduction in General Fund Support for SUNY State Operated Colleges (-$100 million), Statutory Colleges (-$15.4 million) and Community College Base Aid (-$33.1 million). In addition, the decrease is achieved through reductions to CUNY Senior colleges (-$71 million), and Community College Base aid (-$13.1 million). The Executive has also advanced a proposal to eliminate the $135 million SUNY Hospital Subsidy for the three teaching hospitals in Brooklyn, Stony Brook, and Syracuse. Lastly, the Executive maintains current formulas for allocating Tuition Assistance Program awards for an additional $30.8 million in savings.

**State University of New York (SUNY)**

**General Fund Support**

The Executive Budget recommends **$9.35 billion** in All Funds appropriations for SUNY, $2.6 billion in General Fund support, $5.7 billion from self-generated and federal funds, and $1.0 billion in capital funds. The budget includes growth in personal service costs resulting from collective bargaining contracts, nonpersonal services, fringe benefits and community college enrollment growth, offset by General Fund

**Higher Education Reductions Summary**

| Proposal | 2011-12 (millions) | 2012-13 (millions) |
|---|---|---|
| SUNY/CUNY Senior College Reduction | $170 | $170 |
| SUNY Statutory Colleges Reduction | $15 | $15 |
| SUNY/CUNY Community College Reductions | $46 | $46 |
| Eliminate SUNY Hospital Subsidy | $135 | $167 |
| Long Island veterans Home Reduction | $5 | $5 |
| Maintain TAP reductions from 2010-11 | $31 | $45 |
| Other Higher Education reductions | $6 | $6 |
| Loan Forgiveness and Scholarship Extensions | ($8) | ($4) |
| Total | $400 | $450 |

decreases from reductions to State-operated campuses and statutory colleges.

STATE-OPERATED SENIOR COLLEGES

Executive Budget appropriations for the 29 State-operated campuses consist of $2.1 billion in General Fund resources (including $1.2 billion in fringe benefits) and $1.3 billion for the collection and disbursement of tuition and other revenue. Recommended levels of General Fund support (not including fringe benefits) represent an $87.9 million decrease from SFY 2010-11 consisting of $43.4 million in increases from collective bargaining and non-personal services inflationary costs, offset by a recommended reduction of $131.4 million (AY).

STATUTORY COLLEGES

The Executive Budget recommends a total of $129.3 million in General Fund support for the operations of the five statutory colleges at Alfred Ceramics and Cornell University. The four statutory colleges at Cornell (Agriculture and Life Sciences, Human Ecology, Veterinary Medicine, and Industrial and Labor Relations) would receive $78.9 million, a net decrease of $6.4 million from SFY 2010-11, reflecting $4.7 million in increases from collective bargaining agreements and inflation, offset by SFY 2011-12 reductions of $11 million.

In addition, the budget recommends $42.1 million to support the land grant mission of Cornell University, a $6.3 million decrease from SFY 2010-11 appropriation levels. The College of Ceramics at Alfred University would receive $8.1 million, a $900,000 decrease from SFY 2010-11 appropriation levels, reflecting an increase of $400,000 resulting from collective bargaining and inflation, offset by a recommended reduction of $1.3 million.

SUNY HOSPITALS

The Executive budget proposes $2.5 billion for the operations of the three SUNY teaching hospitals at Brooklyn, Stony Brook, and Syracuse. This includes $350 million for the operations of the Long Island College Hospital (LICH). This appropriation authority would be available if a proposed agreement for acquisition of LICH by SUNY Brooklyn Downstate Medical Center is finalized in the upcoming months. The SUNY hospitals would continue to reimburse the state for the full cost of capital projects, with $48.0 million provided in transfer authority for this purpose. The Executive Budget eliminates a $135 million State operating subsidy for the three SUNY hospitals, representing approximately eight percent of total operating revenue.

COMMUNITY COLLEGES

SUNY's community colleges have three basic funding sources: State, local sponsor, and student tuition. The Executive Budget recommends $427.8 million in State support, representing a $23.9 million reduction from SFY 2010-11 budget levels. This change is attributable to increases of $21.6 million for enrollment growth and $2.8 million related to the expiration of one-time reductions from the SFY 2010-11 FMAP contingency plan. These increases are offset by decreases related to the annualization of the SFY 2010-11 reduction of $285 per FTE student ($14.6 million) and a $33.2 million reduction resulting from a recommended $226 per student FTE in base operating aid (from $2,260 to $2,034).

CAPITAL PROJECTS

The SFY 2008-09 enacted budget provided SUNY with $4.1 billion in new capital appropriations to support the implementation of a $6.4 billion multi-year capital plan for SUNY's educational facilities, hospitals, residence halls and community colleges. The SFY 2011-12 Executive Budget continues this commitment to the rehabilitation of SUNY's educational facilities infrastructure by providing the fourth of five annual $550 million appropriations to address the accumulated backlog of critical maintenance projects throughout the University system. The Executive Budget also includes $31.5 million for the State's 50 percent share of capital projects for community college campuses that have secured local sponsor resolutions, and $421 million for SUNY's self funded resident hall capital program.

## City University of New York (CUNY)

The Executive Budget recommends All Funds appropriations of **$3.6 billion, of which** $1.9 billion are Fiduciary Funds that represents the City of New York paying Senior college costs in the first instance, $1.2 billion in General Fund support that represents both the State's contribution to these costs and the operations of the CUNY community colleges, $175.4 million in authority to disburse self-generated revenue, and $336.4 million in capital funding).

The Executive Budget includes General Fund growth in personal service costs from collective bargaining contracts, nonpersonal services, fringe benefits and community college enrollment growth, offset by General Fund decreases associated with reductions to senior college campuses and community colleges necessary to close State budget gaps.

The Executive Budget reduces each agency's General Fund State Operations budget by 10 percent. These savings are to be achieved through administrative efficiencies in non-personal service and negotiated workforce savings that minimize layoffs to the extent possible. Major SFY 2011-12 budget actions:

### SENIOR COLLEGES

The Executive Budget includes General Fund appropriations of $1.05 billion (including $538.1 million in fringe benefits). Recommended levels of General Fund support, excluding fringe benefits represents a $67.2 million decrease from SFY 2010-11. The proposal includes a $27.9 million increase for collective bargaining and non-personal services inflationary costs, offset by an $11.9 million reduction from savings assumed in the SFY 2010-11 Enacted Budget not realized in the SFY 2010-11, and further reductions of $83.2 million (AY). In addition, the Executive Budget assumes that the University will collect and spend approximately $801.1 million of revenue from tuition, reflecting a tuition increase of approximately 5 percent that was initiated and approved by the CUNY Board of Trustees in November 2010. As a result, combined General Fund and tuition revenue (plus $32.3 million from New York City) will provide for a core instructional budget of $1.9 billion to support senior college campuses, central administration and University-wide programs.

### COMMUNITY COLLEGES

CUNY's community colleges have three basic funding sources: State support, local sponsor support, and student tuition revenue. The Executive Budget recommends $172.5 million in State support, a $13.5 million decrease in total available funding from SFY 2010-11 budget levels. This change is attributable to increases of $5.7 million for enrollment growth and $1.2 million related to the one-time actions resulting from the SFY 2010-11 FMAP contingency reduction, offset by $5.5 million due to the annualization of the SFY 2010-11 enacted budget reduction of $285 per FTE student, the elimination of $1.8 million in one-time funding for prior year enrollment growth, and a $13.1 million decrease from the recommended $226 per student FTE in base operating aid (from $2,260 to $2,034).

CAPITAL PROJECTS

The SFY 2008-09 enacted budget provided CUNY with $1.8 billion in new capital appropriations, a major step in the implementation of a $3 billion multi-year capital plan, which provides for facility and infrastructure improvements at senior and community colleges, consistent with University needs and priorities. The SFY 2011-12 Executive Budget continues a commitment to preserve and rehabilitate CUNY's educational facilities infrastructure by providing the fourth of five annual $284 million appropriations to address the accumulated backlog of critical maintenance projects throughout the University system. The Executive Budget also includes $31.2 million for the State's 50 percent share of capital projects for community college campuses that have secured a match from the City of New York.

**Higher Education Services Corporation (HESC):**

The Executive Budget recommends All Funds appropriations of **$1.08 billion** ($960 million General Fund; $117 million Other Funds) in support of the Corporation. This is a net increase of **$45.2 million or (4.4 percent) from SFY 2010-11 funding levels**. The budget reflects funding to continue the NYHELPs student loan program and increased General Fund spending for TAP due to increased enrollment and the discontinuation of Federal American Reinvestment and Recovery Act (ARRA) funding.

The Executive Budget includes the following actions:

Maintain Current Formulas for Allocating TAP Awards: The Executive Budget maintains changes to TAP enacted in SFY 2010-11, including continuing the current maximum TAP award for students enrolled in certain two-year degree granting programs, requiring private pension and annuity income not subject to State taxes to be included in determining TAP award eligibility, and increasing the academic standards for continued TAP award eligibility. These measures represent gap closing savings of $44 million in SFY 2011-12.

Extend the McGee Nursing Faculty Scholarship Program and the Nursing Faculty Loan Forgiveness Program: Statutory authorization for the McGee Nursing Faculty Scholarship program and the Nursing Faculty Loan Forgiveness Program expired June 30, 2010. The SFY 2011-12 Executive Budget extends statutory authorization for these programs for a period of five years, and provides the funding necessary to pay for prior obligations to individuals who are fulfilling the service requirements associated with the programs. This measure is expected to cost $3.8 million in SFY 2011-12 and $2.4 million annually thereafter.

Extend the Regents Physician Loan Forgiveness Program: Statutory authorization for the Regents Physician Loan Forgiveness Program expired June 30, 2009. The SFY 2011-12 Executive Budget extends authorization for this program through the 2015-16 school year, and provides necessary funding to pay prior year obligations for individuals fulfilling service requirements associated with the program. This measure is expected to cost $3.9 million in SFY 2011-12 and $1.6 million annually thereafter.

Reduce Funding for New York Higher Education Loan Program (NYHELPS): The SFY 2011-2012 Executive Budget reduces funding for NYHELPs by $6.0 million, from $10 million to $4 million.

Extend the Regents Licensed Social Worker Loan Forgiveness Program: Statutory authorization for the Regents Licensed Social Worker Loan Forgiveness Program is set to expire June 30, 2011. The SFY 2011-12 Executive Budget extends statutory authorization enabling this program to continue for a period of five years. This measure is already assumed in the State Financial Plan and has no net impact on planned spending.

## Council on the Arts

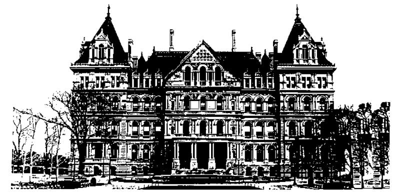
The SFY 2011-12 Executive Budget reduces arts grants funding by 10 percent, a $4 million decrease from $35.2 million to $31.6 million. These funds support approximately 2,300 grants awarded by the New York State Council on the Arts to subsidize operating costs of small and mid-sized arts organizations.

The Executive also decreases General Fund support for state operations by ten percent resulting in a decrease of $4.3 million for SED and $500,000 for the Council on the Arts. Article VII legislation is proposed to eliminate the statutory authorization of the New York State Theatre Institute and provides for the transfer of its rights and property to the Office of General Services.

**Higher Education**
**Proposed Disbursements - All Funds**
**(Thousands of Dollars)**

| Agency | Estimated 2010-11 | Proposed 2011-12 | Change Amount | Percent |
|---|---|---|---|---|
| SUNY SFY | 7,392,190 | 7,231,689 | (160,501) | -2.17% |
| CUNY | 1,360,973 | 1,386,017 | 25,044 | 1.84% |
| Higher Education Services Corp. | 965,914 | 1,007,522 | 41,608 | 4.31% |
| Other | 28,355 | 48,355 | 20,000 | 70.53% |
| SUNY Construction Fund | 25,678 | 26,172 | 494 | 1.92% |
| Totals: | 9,773,110 | 9,699,755 | (73,355) | -0.75% |

# Health - Medicaid: Fact Sheet



- On January 5, 2011 Governor Cuomo issued Executive Order number Five creating a Medicaid Redesign Team (MRT) and charged it with developing policies to reduce Medicaid spending in New York by $2.85 billion for SFY 2011-12, and to also hold future growth to the medical component of the CPI, approximately four percent. The SFY 2011-12 budget proposal does not include a specific list of cuts for Medicaid. The MRT's recommendations are due no later than March 1, 2011. The Executive expects to incorporate them into the 30-Day Amendments to the Executive Budget due on March 3. The MRT's $2.85 billion cut target is assumed in the SFY 2011-12 financial plan and shows up as a cut.

- Proposed budget appropriation language allows the Commissioner of Health to unilaterally, ***without legislative approval***, to implement the MRT recommendations, and/or a plan developed outside of the MRT to meet the Executive's Medicaid cut target in the event that MRT recommendations fall short *(Aid to Localities - S.2803).*

- Medicaid spending for the SFY 2011-12 is projected to be $52.8 billion (including proposed reductions), about $1 billion or 1.8 percent less than the projected $53.8 billion for SFY 2010-11. Total Department of Health Medicaid spending is projected at $39.1 billion which does not include other State Agency Medicaid spending (Mental Hygiene etc.) ($5.8 billion) or the local government share ($7.9 billion).

- The state share for DOH Medicaid spending increases by $3.15 billion (total State share is projected at $15.1 billion) in SFY 2011-12 due to the expiration of the enhanced Federal Matching Assistance Percentage (FMAP) on June 30, 2010.

- Under the Executive's proposal, State share spending above the Local Medicaid Cap is expected to grow from $1.4 billion in SFY 2010-11 to $1.9 billion in SFY 2011-12.

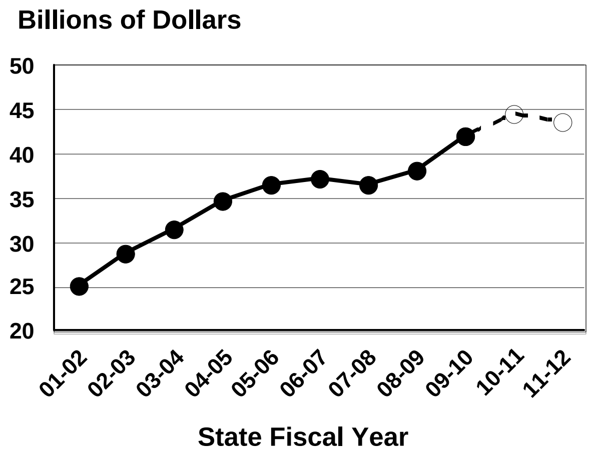
- The Executive budget proposal includes provisions requiring the Elderly Pharmaceutical Insurance Coverage (EPIC) to ***only pay for drugs when a Medicare Part D enrollee has reached the Medicare coverage gap*** ("donut hole" also known as gap coverage). Effective January 1, 2012. *($22.3 million state savings).*

- The Executive also eliminates EPIC premium assistance for Medicare Part D along with deductible coverage *($12 million state savings).*

- Reimbursement to municipalities for optional public health services will be eliminated (Medical Examiners, Early Intervention Coordination, Dental Services, Home Health Services, Long Term Care, Emergency Medical Services, Radioactive Materials Licensing, Housing Hygiene, and other Environmental Services - *$10.5 million state savings).*

# HEALTH - MEDICAID

| All Funds Disbursements (Millions of Dollars) | Estimated SFY 10-11 | Projected SFY 11-12 |
|---|---|---|
| Cash | 44,674 | 43,657 |
| Annual Growth Rate | 6.0% | -2.3% |
| 5 Year Average Growth (Actual) | | 3.9% |




The SFY 2011-12 Executive Budget recommends All Funds cash disbursement of $43.7 billion for the Department of Health, a net decrease of $1 billion or 2.3 percent. This reflects changes as follows:

**Health Care Cost Saving Measures**

**Medicaid - $2.85 Billion Reduction**

The SFY 2011-12 Executive Budget proposes saving by "redesigning" Medicaid through amending, restructuring and eliminating public health initiatives. **The Executive proposes with virtually no detail, to cut Medicaid spending by $2.85 billion.**

The Executive has charged the Medicaid Redesign Team (MRT) with crafting and agreeing to proposals that will not only meet his target but also hold annual Medicaid spending growth to the ten-year rolling average of the medical component of the Consumer Price Index (currently at four percent). The Executive Order creating the MRT requires that the group by March 1, 2011 identify and submit recommendations to the Governor for inclusion in his 30-day amendments.

In addition, budget language is included in the appropriation bills to provide the Commissioner of Health with the authority to, ***unilaterally and without legislative approval***, utilizing a wide range of actions including the ability to modify law, implement the MRT recommendations, and/or a plan developed outside of the MRT to meet the Executive's Medicaid cut target in the event that MRT recommendations fall short.

**Elderly Pharmaceutical Insurance Coverage (EPIC) Program**, the Executive proposes to reduce coverage and benefits, resulting in $58.4 million in net savings by:

- Providing payment only for pharmaceuticals when an enrollee has entered the Medicare Part D coverage gap, otherwise known as the "donut hole". When a Medicare Part D enrollee surpasses the initial coverage limit of $2,840 the beneficiary is financially responsible for the entire cost of the drug until expenses reach the catastrophic limit of $4,550 ($12 million);
- Requiring EPIC enrollees be responsible for full payment of Part D premiums or their deductible ($22.3 million);

- A onetime sweep of fund balances, resulting from reduced cash management requirements ($24.1 million).

The Executive proposes numerous changes to the **Early Intervention (EI) Program**, which provides therapeutic and support services for children under three years of age with developmental disabilities or delays, where a child lags in physical, emotional, cognitive, behavioral or social developments when compared to the norms. Individuals in the EI program can also be eligible for Medicaid, allowing savings in both the General Fund ($11.4 million) and in State Medicaid spending ($9.12 million).

The Executive proposes the following:

- A ten percent across the board rate reduction to all EI service rates ($11.1 million);
- Requiring providers that receive more than $500,000 in Medicaid annually be required to directly seek reimbursement from Medicaid and private insurance prior to seeking payment from municipalities ($0.5 million);
- Insurance companies be required to pay legitimate claims for EI services. The savings would be first realized in SFY 2012-13 ($25 million);
- The State will take administrative action to recover $6.2 million from the recoupment of overpayment for Medicaid transportation costs from counties;
- Replacing the current methodology for service coordination, paying on a per event or per month basis regardless of the amount of time spent on management ($0.3 million);
- Allowing fifteen minute increments be used for billing purposes for EI services instead of the current method of between under and over one hour ($1.6 million); and
- Reimbursement rates for home and community-based visits be changed to account for updated regional factors such as wage equalization and transportation factors ($0.9 million).

In addition, the Executive proposes a series of initiatives to further reduce aid to counties and institutions as follows:

- Limit **the General Public Health Work program** to reimbursing municipalities for only basic services ($319 million), and eliminates all optional services funding, including funding for Medical Examiners, Early Intervention Service Coordination, Dental Services, Home Health Services, Long Term Care, Emergency Medical Services, Other Environmental Services, Radioactive Material Licensing, Radioactive Equipment Licensing and Housing Hygiene ($10.5 million in savings); and
- Reducing or eliminating $15.4 million of support for a variety of existing programs. Half of the savings would be used to fund a **new local competitive performance grant program** ($7.7 million) and the remainder would be savings to the State ($7.7 million).

**HCRA – Insurance Conversion**

The Executive includes receipts of $150 million into the Health Care Reform Act (HCRA) account from the conversion of Emblem Health (formerly GHI-HIP) from not-for-profit status to for-profit status that was enabled by the SFY 2007-08 budget. While language facilitating the conversion had been enacted, the conversion had been delayed due to market conditions. According to the Division of Budget, the State is planning to begin the process in the fall of 2011 with funds deposited into HCRA by March. The out year receipts are projected to increase to approximately $300 million. Numerous other actions support HCRA funding including surcharges, the covered lives assessment and cigarette taxes (projected SFY 2011-12 receipts to HCRA are 5.38 billion).

HCRA funds are used to pay for a myriad of health programs including among others, the Child Health Plus Program and EPIC. Proposed non-Medicaid HCRA disbursements are $2.41 billion for SFY 2011-12, an increase of $213 million SFY 2010-11 . Funds are also utilized to offset Medicaid spending. The Executive's SFY 2011-12 proposal includes a $2.96 billion Medicaid offset, an increase of $121 million over SFY 2010-11.

The **Health Care Reform Act** (HCRA), extended in the Executive Budget, realizes savings from several initiatives:

- Limiting EPIC coverage only for enrollees in the coverage gap generates $34 million in HCRA savings;
- A ten percent reduction in the State subsidy for the Roswell Park Cancer Institute, to save $7.7 million. The SFY 2011-12 funding for RCPI is proposed to be roughly $70 million;
- Eliminate the Audit of Resident Teaching Program ($1 million);
- Eliminate the Infertility Program ($1 million); and
- Eliminate funding for the Lead Safe Housing program and the Early Childhood Foundation program and reduce the non-direct care components of the Cancer Services Program ($1 million).

Other Executive proposals for SFY 2011-12 include:

**Health Efficiency and Affordability Law for New Yorkers (HEAL-NY)**

- The Executive has proposed language to allow the Commissioner, without a competitive bid or request for proposal, to distribute millions of dollars of unencumbered funds from HEAL-NY to general hospitals and nursing home to facilitate closures, mergers and restructuring of the facilities.

**Medicaid Fraud**

- The Office of the Medicaid Inspector General has set a Medicaid audit savings target of $965 million for SFY 2011-12, no change from the current fiscal year.

**Nursing Homes**

- The Executive proposes to delay the implementation of the nursing home rebasing methodology until July 1, 2011; and
- The $210 million cap on nursing home rate increases is extended through March 31, 2012.

**State Operations**

- The Executive has proposed a ten percent reduction of each Agency's General Fund State Operations budget for a total of $43.2 million from the Department of Health. The Department has not released a plan for this action to date, citing the ongoing collective bargaining negotiations with the workforce.

**Human Services Cost of Living Adjustment**

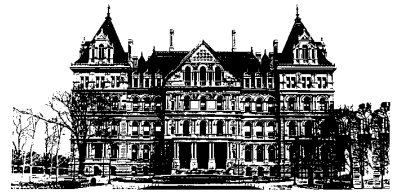
- The Executive proposes to delay the 1.2 percent COLA for human service providers for an additional year ($6.4 million in DOH savings)

## Health - Medicaid
## Proposed Disbursements - All Funds

**(Thousands of Dollars)**

| Agency | Estimated 2010-11 | Proposed 2011-12 | Change Amount | Percent |
|---|---|---|---|---|
| Medical Assistance | 39,183,472 | 37,904,241 | (1,279,231) | -3.30% |
| Medicaid Administration | 1,098,413 | 1,147,500 | 49,087 | 4.50% |
| All Other Health | 4,392,150 | 4,605,751 | 213,601 | 4.90% |
| **Totals:** | **44,674,035** | **43,657,492** | **(1,016,543)** | **-2.30%** |

# Transportation Fact Sheet



The Executive Budget proposes total All Funds spending for Transportation of $8.50 billion, **a reduction of $188 million or 2.2 percent** from last year's level of $8.69 billion.

- **Highways & Bridges.** The Executive Budget maintains the two-year, $7 billion DOT capital spending program that was approved last year. There is no road and Bridge Capital Plan proposed for beyond the upcoming fiscal year.
- **Local Roads.** The Executive Budget maintains CHIPS and Marchiselli funding at $363.1 million and $39.7 million, respectively.
- **Department of Transportation Spending Reductions.** Under the targeted 10 percent reduction in spending from State Operations, DOT will need to identify spending cuts of $45.4 million this year and next.

**Transit.** The Executive Budget provides public transit operating assistance totaling $4.2 billion. The MTA would receive $3.8 billion or $43 million more on a cash basis than in SFY 2010-11, and other transit providers would receive $401 million or $2 million more than last year. On a cash basis, all transit providers will receive more operating assistance in the upcoming fiscal year.

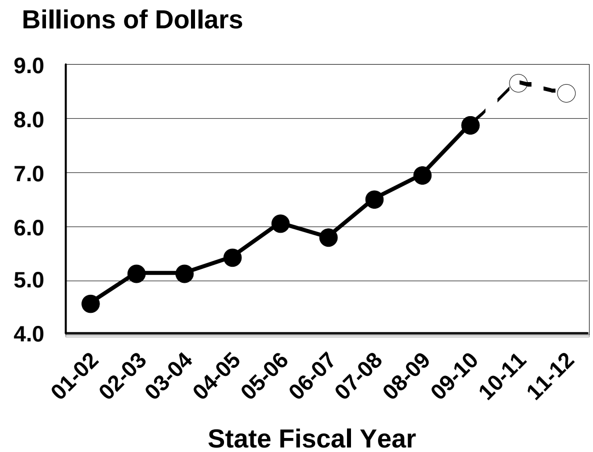
- Although there will be an increase on a cash basis, the Executive Budget includes an appropriation decrease for the MTA of $108.5 million. This decrease includes a $37 million reduction in Transportation Operating Assistance. The decrease is also a result of the 2011-12 Payroll Mobility Tax appropriation level becoming more closely aligned with expected tax receipts for the coming year.

**Dedicated Transit Revenues**. The Executive uses Dedicated Transit Revenues, specifically the Mass Transportation Operating Assistance Fund, to help close the State's General Fund gap. Specifically, the Executive Budget transfers approximately $35 million from the Mass Transportation Operating Assistance (MTOA) to the General Fund. In addition, The Executive proposes funding MTA service contract bonds with MTOA fund balance. These bonds have traditionally been paid for through the General Fund. The Executive Budget proposes to redirect $100 million in previously authorized capital economic development funds to the MTA.

**Department of Motor Vehicles.** Under the Executive Budget's targeted 10 percent reduction in spending in State Operations, DMV will be seeking spending cutbacks of $12 million in SFY 2011-12 and SFY 2012-13.

# TRANSPORTATION

| All Funds Disbursements (Millions of Dollars) | Estimated SFY 10-11 | Projected SFY 11-12 |
|---|---|---|
| Cash | 8,690 | 8,502 |
| Annual Growth Rate | 7.2% | -0.6% |
| 5 Year Average Growth (Actual) | | 7.9% |




## TRANSPORTATION

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.

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

The SFY 2011-12 Executive Budget recommends All Funds appropriations of $343 million for the Department of Motor Vehicles, a $13 million or 4 percent decrease. **No direct funding would come from the General Fund (GF),** while $201 million, representing 59 percent of DMV's budget, would be appropriated from the DHBTF, which receives General Fund transfers. The balance is provided by Federal funds and special revenue funds supported by various fees and fines.

The SFY 2011-12 Executive Budget reduces the agency's operations expenses in the DHBTF by $12 million or 10 percent. These savings ($12 million) would be achieved through administrative efficiencies in non-personal service and negotiated workforce savings. DMV estimates that its workforce of 2,472 Full-Time Equivalent positions (FTEs) will not change in SFY 2011-12 if negotiated workforce savings are achieved. This is a reduction of 347 employees over the previous year's level, and partially attributable to the 2010 State early retirement incentive (214 FTEs) and layoffs (82 FTEs). The SFY 2011-12 Executive Budget does not include an increase in DMV fees.

***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, with 11 regional offices in Schenectady, Utica, Syracuse, Rochester, Buffalo, Hornell, Watertown, Poughkeepsie, Binghamton, Hauppauge and New York City. DOT estimates that full-time workforce levels at the end of the current fiscal year (SFY 2010-11) will total 8,709 positions, a reduction of 1,255 from the previous fiscal year. During 2010, 911 full time DOT employees took advantage of a State early retirement incentive and 98 employees were laid off in December as a result of budget-related cuts.

Recommended DOT All Funds appropriations for SFY 2011-12 total $8.3 billion, a decrease of $526 million or six percent from the current year's level. The change primarily reflects the elimination of a 2010-11 federal rail appropriation, a ten percent reduction in operations funding from the Dedicated Highway and Bridge Trust Fund (DHBTF), the continuance of SFY 2010-11 workforce reductions, and a decrease in mass transit appropriation levels.

*DOT Capital*

The SFY 2011-12 Executive Budget includes the second year of the two-year, $7 billion DOT Capital Plan that was approved last year as an interim successor to DOT's 2005-2010 Capital Plan, which totaled approximately $18 billion, The Plan continues, however it does not increase the department's capital construction programs. The construction contract level for state-owned roads and bridges (i.e., letting level), which was $2.01 billion in SFY 2009-10, is scheduled to go from $1.991 billion in SFY 2010-11 and to $1.807 billion in SFY 2011-12, a decrease of $184 million.

Under the Executive's proposal, the Consolidated Highway Improvement Program (CHIPS) capital would be funded at $363.1 million and the Municipal Streets and Highways Program ("Marchiselli") would be funded at $39.7 million, maintaining the increased levels that were established in SFY 2008-09.

For SFY 2011-12, there is an estimated $522 million funding shortfall in the Dedicated Highway and Bridge Trust Fund (DHBTF) that is expected to be addressed by a cash transfer from the General Fund. The shortfall amount was reduced by a number of transportation-related tax and fee increases that were included in the SFY 2009-10 Enacted Budget.

**For additional information on Transportation Capital funding, see the Issues in Focus Section of this report**.

***DOT - Transit Operating Assistance***

DOT provides oversight and funding for more than 30 public transit operators, including the Metropolitan Transportation Authority, the four upstate regional transportation authorities and other (usually county-sponsored) transit systems. The funding source is a combination of general fund and dedicated transit revenues.

The SFY 2011-12 Executive Budget provides more than $4.2 billion in transit operating assistance, of which the MTA would receive $3.8 billion. On a cash basis, the MTA will receive $43 million more than the amended SFY 2010-11 level, and non-MTA providers will see a $2 million increase.

The appropriation level for the MTA reflects a $108 million decrease, which corrects an overestimate in expected MTA Payroll Mobility Tax receipts during 2010.

The MTA payroll tax was the centerpiece of the MTA financial rescue package that was approved in May 2009. These new revenues, which are collected in the MTA region, include a regional payroll tax (approximately $1.5 billion annually), auto registration and license fee surcharges, a five percent auto rental tax increase, and a taxicab tax of $.50 per ride in New York City.

***Metropolitan Transportation Authority***

The Metropolitan Transportation Authority, the largest transit provider in North America, is responsible for operating, maintaining and improving public transportation in the Metropolitan Commuter Transportation District. The District consists of New York City and Westchester, Nassau, Suffok, Dutchess, Putnam, Orange and Rockland Counties. The MTA's operations include subway and bus systems in New York City, Nassau County's bus system on Long Island, the Long Island Rail Road, Metro-North Railroad, and seven bridges and two tunnels in New York City.

*MTA Operating Budget*

When the MTA adopted its 2011 budget in December 2010, it assumed that it would receive $200 million in additional dedicated tax revenues that were subsequently not included in the SFY 2011-12 Executive Budget from the Metropolitan Mass Transportation Operating Assistance account (MMTOA). The Executive Budget proposes to use $165 million of MMTOA funds to pay debt service on prior state-issued bonds for earlier MTA Capital Plans, and $35 million in MMTOA funds would be transferred into the General Fund.

The Executive Budget redirects $100 million in previously authorized economic development capital funds to the MTA. The MTA would use this new capital money to replace its existing, budgeted plan to spend $100 million in pay-as-you-go capital during 2011. While the MTA will receive less State assistance than it assumed in the MTA financial plan, **the MTA has announced that it will seek additional cost efficiencies to address any funding gap, and that service cut and fare increases will not be required.**

*Recent MTA History*

In December 2010, the board of the MTA voted to approve the authority's $11.3 billion 2011 operating budget. Even with new fare and toll increases that took effect by January 1, 2011, the MTA's financial condition remains "precariously balanced." Earlier in the fall of 2010, the MTA Board authorized a 7.5% fare and toll revenue increase for 2011, an action that will generate about $410 million annually. This was the increase that was agreed upon as part of the 2009 Albany MTA Bailout, with the same increase slated for January 2013. It should be noted that the MTA Board will need to hold public hearings and officially vote on a planned 2013 fare and toll hike. Under its latest financial plan, the MTA expects to end 2010 and 2011 with a $3 million and $8 million surplus, respectively. For 2012, the MTA is facing a projected deficit of $207 million, a problem it plans to address.

The MTA says that it will continue its cost-cutting initiatives, and that it does not intend to ask Albany for another rescue package. To achieve a balanced budget during 2010, the MTA implemented actions that will result in annual recurring savings of more than $525 million, including 15% cuts in administrative positions (20% at Headquarters), freezing management wages, reduction of overtime, a top-to-bottom overhaul of MTA Bridges and Tunnels, renegotiation of contracts with major suppliers, and some painful service cuts. The MTA intends to build up these actions with $75 million in additional savings in 2011, an amount that is expected to grow to $200 million annually by 2014. In total, the MTA anticipates that it will realize $1 billion in annual recurring savings by 2014.

<u>*MTA Long Island Bus*</u>

The **MTA's 2011 budget contains no internal subsidy assistance for Long Island** Bus, which the MTA operates pursuant to a lease agreement with Nassau County. Long Island Bus carries over 100,000 daily riders or over 30 million passengers annually. Over the past 10 years, the MTA has provided about $140 million in internal subsidies for Long Island Bus, including $26 million in 2010, to cover shortfalls in required payments by Nassau County. In July 2010, as part of a mid-year budget update, the MTA announced that it could no longer afford to subsidize Long Island Bus. Nassau County's approved budget for Long Island Bus in 2011 is $9.1 million, the same amount it provided in 2010, leaving about a $25 million budget gap that is the county's legal responsibility. Since Nassau County is facing its own severe financial challenges, including having a financial control board step in to oversee the county's finances, it's not clear whether it will be able to negotiate a settlement with the MTA to maintain Long Island Bus operations throughout 2011.

The MTA says that it anticipates having enough money - using State and County funds - to continue operating Long Island Bus until about April 2011. Under the lease and operating agreement between Long Island Bus and Nassau County, either party must give the other 60-days notice before terminating the agreement, an action that MTA intends to take in early 2011. The MTA is also preparing to quickly schedule public hearings on the reduction or termination of LI Bus services. Nassau County has indicated that it wants to ultimately privatize the bus service, a move the MTA says it is willing to assist with. Even if the MTA the keeps operating Long Island Bus until, possibly April 1, 2011, it implied that it will be at a reduced level.

***2010-2014 MTA Capital Plan***

In October 2009, the MTA released a proposed 2010-2014 Capital Program valued at $25.6 billion as a successor to its 2005-2009 Capital Plan. During 2010, the MTA submitted a revised $23.8 billion 2010-2014 Capital Program, which was approved by the MTA Capital Program Review Board. Only the first two years of the MTA’s $23.8 billion 2010-2014 – valued at $9.1 billion – are funded. The overall $23.8 billion MTA Capital Program has a funding gap of $10 billion. **For additional information on Transportation Capital funding see the Issues in Focus Section of this report.**

<u>***Thruway Authority***</u>

The Thruway Authority operates a 570-mile highway system, including the 426-mile mainline from Pennsylvania to New York City. As agreed to in last year’s Enacted Budget, the Thruway Authority no longer maintains 71-miles of Interstate 84 under a contract for the New York State Department of Transportation. 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.

Thruway Authority and Canal Systems programs are primarily financed with authority funds, which are not included in the Executive Budget. The Thruway Authority’s 2011 operating and capital budget totals $1.1 billon.

The SFY 2011-12 Executive Budget recommends a new appropriation of $2 million, the same level as in SFY 2010-11, 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.

As the final part of an approved multi-year toll increase, Thruway Authority toll rates increased by an average of five percent in January 2010. The five percent average increase was expected to increase toll revenue to about $640 million as part of the authority's $1.1 billion 2011 budget.

Due to rising construction costs, the Thruway Authority had to scale back the number of projects in its $2.1 billion 2005-2011 Capital Program.

The Thruway Authority is advancing its Tappan Zee Bridge deck replacement project, including a $191 million contract in 2010, the largest maintenance project undertaken on the bridge. The Tappan Zee deck replacement project is expected to be completed in the winter of 2012.

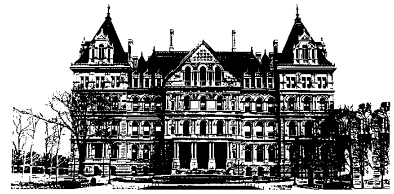
The Thruway Authority, in conjunction with DOT and MTA, is still studying alternative configurations and financing mechanisms for a replacement to the Tappan-Zee Bridge and accompanying improvements to the I-287 corridor.

## Transportation
## Proposed Disbursements - All Funds

**(Millions of Dollars)**

| Agency | Estimated 20010-11 | Proposed 2011-12 | Change Amount | Change Percent |
|---|---|---|---|---|
| Department of Transportation | 8,144,687 | 8,005,455 | (139,232) | -1.7% |
| Department of Motor Vehicles | 326,441 | 299,832 | (26,609) | -8.2% |
| Thruway Authority | 1,800 | 1,800 | (1,800) | -100.0% |
| Metropolitan Transportation Authority | 217,000 | 194500 | (217,000) | -100.0% |
| **Totals:** | **8,689,928** | **8,305,287** | **(384,641)** | **-4.4%** |

# Environment, Agriculture and Housing Fact Sheet



**Adirondack Park Agency**

- All Funds reduction of $512,000
- This reduction reflects the full-year value of closing two Visitor Interpretive Centers included in the SFY 2010-11 current year enacted budget: one in Newcomb, Essex County; and one near Paul Smith's College in Franklin County.

**Department of Agriculture & Markets**

- Includes an All Funds reduction of $9.3 million
- The Executive Budget proposal would eliminate funding for many agricultural promotion programs and create a $1.2 million grant program under which they would compete for funding. Impacted programs include the Farm Viability Institute, the Wine and Grape Foundation, and state assistance to Local Fairs.
- Funding for Cornell University's three agricultural education programs would be eliminated: Agriculture in the Classroom; Future Farmers of America and the Association of Agricultural Educators.
- All reappropriations older than six years, resulting from Legislative additions and the Grape Genomics Lab reappropriation would be eliminated.
- The "Share New York Food Initiative" is created to expand availability of fresh produce to underserved areas

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

- All Funds reduction of $3.9 million.
- NYSERDA's capital costs are driven by a 90/10 percent federal match requirement for conducting the ongoing nuclear waste cleanup at West Valley. The reduction of $3.9 million reflects an anticipated reduction in federal funding resulting from reduced spending by the Federal Government for the West Valley cleanup.

**Department of Environmental Conservation**

- All Funds reduction of $49 million
- Environmental Protection Fund would remain at the SFY 2010-11 level of $134 million
- Federal Great Lakes Restoration Initiative Funding discontinued ($51.4 million decrease)
- Proposal changes sunset provision on increased pesticide fees to make them permanent, preserving $7 million in revenue

**Division of Housing and Community Renewal**

- All Funds reduction of $156.9 million
- Includes the loss of $129.13 million in federal ARRA funds
- The proposal would consolidate the Neighborhood Preservation and Rural Preservation Programs, reducing funding from $12 million to $6 million for the combined entities

**Olympic Regional Development Authority**:

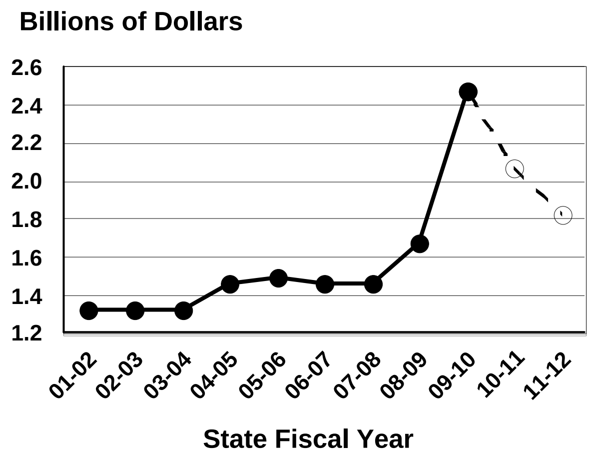
- Executive proposes All Funds reduction of $522,000, due entirely to a ten percent reduction in General Fund State operations

**Office of Parks, Recreation and Historic Preservation:**

- All Funds reduction of $17.7 million
- The Executive proposal would eliminate $2.9 million in aid to localities funding by discontinuing reimbursements to localities that voluntarily enforce provisions of the Navigation Law

# ENVIRONMENTAL CONSERVATION, AGRICULTURE AND HOUSING

| **All Funds Disbursements** (Thousands of Dollars) | Estimated SFY 10-11 | Projected SFY 11-12 |
|---|---|---|
| Cash | 1,902 | 1,740 |
| Annual Growth Rate | 7.0% | -11.7% |
| 5 Year Average Growth (Actual) | | 12.5% |




**Environment, Agriculture and Housing:**

The SFY 2011-12 Executive Budget recommends a decrease in All Funds disbursements of $1.74 billion, a reduction of $162.6 million for Environmental Conservation, Agriculture and Housing agencies. Specifically, decreases in funding are recommended for the Department of Environmental Conservation ($49 million); the Department of Agriculture and Markets ($9.3 million); the Office of Parks, Recreation and Historic Preservation ($17.7 million); the Division of Housing and Community Renewal ($156.9 million); the Adirondack Park Agency ($512,000); the Energy Research and Development Agency ($3.9 million); the Hudson River Valley Heritage Conservancy and Community Council ($18,000 each); and the Olympic Regional Development Authority ($522,000). The Department of Public Service is the only entity within these functional areas that the Executive recommends to receive additional funding, with a proposed increase of $250,000.

**State Operations:**

The SFY 2011-12 Executive Budget proposes a ten percent General Fund State Operations Reduction. This action applies to all agencies under direct Executive control and is reflected in the budgets of the agencies herein.

**Environmental Conservation:**

The SFY 2011-12 Executive Budget recommends All Funds appropriations in the amount of $950 million for the Department of Environmental Conservation (DEC). State Operations funding is reduced by $74 million offset by an increase of $25 million in Capital Projects funding, resulting in a net reduction of $49 million from current year levels.

A large portion of the State Operations reduction includes the non recurring Federal Great Lakes Restoration Initiative (GLRI) appropriation of $51.4 million in the current year. Early retirements and layoffs at the Department account for an additional reduction of $22.6 million in State Operations savings.

The Executive also proposes $210 million in new State and Federal funds for the Clean Water State Revolving Fund low-interest loan program to build and rehabilitate municipal sewage treatment facilities. The total appropriations for Capital Projects would increase by $25.1 million, from $486.7 million to $511.8 million.

Aid to Localities funding is reduced by $192,900 for river and lake commissions, including Susquehanna River Basin Commission ($92,000), The Delaware River Basin Commission ($117,800), the Great Lakes Commission ($11,000). As an offset to these reductions, this years budget provides a two year allocation of $28,000 for the Ohio River Basin Commission (ORBC), which did not receive their annual funding allocation of $14,000 in SFY 2010-11.

**Environmental Protection Fund (EPF):**

The SFY 2011-12 Executive Budget proposes $134 million for the EPF, the same as current year funding. (See EPF Chart following this section.)

The $134 million EPF proposal includes $10.8 million for Solid Waste and Recycling, $52.7 million for Parks and Recreation and $70.5 million for Open Space projects. The EPF proposal does not contain any new funding initiatives.

A large portion of the EPF is supported from revenues generated by the Real Estate Transfer Tax (RETT). Other revenues are generated through the sale or lease of State property, interest earnings and revenues derived from the sale of Bluebird license plates.

**Article VII Legislation:**

In New York State the fee to register a pesticide is $600 for registrants with gross annual sales of less than $3.5 million and $620 for all others. The fee generates over $7 million, with the first $5 million deposited to the EPF. The 2009-10 revenue from the pesticide registration program fees was $7.9 million, with $5 million deposited in the Environmental Protection Fund and the remaining $2.9 million deposited in the Environmental Regulatory Account.

The Executive Budget proposes to make the current time frames and fee structure for the review of pesticide product registration applications permanent. The fee has traditionally been extended for three years at a time and is scheduled to expire on July 1, 2011. The registration fee was established to fund the expedited review process for pesticide registrations.

**Environmental Facilities Corporation (EFC):**

The SFY 2011-12 Executive Budget recommends maintaining a constant level of funding for the EFC in the amount of $12.7 million. The EFC is a public benefit corporation that promotes environmental quality by providing financing and technical assistance for drinking water and waste water projects in New York State.

**Adirondack Park Agency (APA):**

The SFY 2011-12 Executive Budget recommends $5.8 million in All Funds appropriations for the APA, a decrease of $512,000. This decrease results from the Executive's ten percent "across-the-board" State Operations reduction. Spending reductions are also achieved through realization of the full-annual value of the closing of two Visitor Interpretive Centers in the SFY 2010-11 Enacted Budget: one in Newcomb, Essex County; and one near Paul Smith's College in Franklin County.

**Hudson River Park Trust:**

The SFY 2011-12 Executive Budget recommends $3 million through the EPF for the Hudson River Park Trust. The Park Trust is a public benefit corporation created in 1998 to develop and maintain the 550 acre Hudson River Park in Manhattan. The Park extends five miles along the Hudson River Waterfront from Battery Park to 59th Street.

**Office of Parks, Recreation and Historic Preservation (Parks):**

The SFY 2011-12 Executive Budget recommends All Funds appropriations of $269.9 million for Parks, a reduction of $17.7 million from the current fiscal year. There would be no changes to Capital Appropriations. The Executive does not anticipate park closures resulting from the reductions in funding.

The Executive Budget would reduce General Fund State Operations by $13.3 million. General Fund Aid to Localities is reduced by $2.92 million, reflecting the elimination of reimbursement to localities for Navigation Law activities. The revenues for these reimbursements are generated from a surcharge on boat registration fees.

**Article VII Legislation:**

Article 4-A of the Navigation Law requires reimbursements be paid to municipalities that voluntarily enforce provisions of the Navigation Law. The Executive Budget would repeal the provisions that require these payments to municipalities, and result in General Fund savings of $2.9 million. The revenues to fund these enforcement reimbursements are generated from a boat registration surcharge.

**Olympic Regional Development Authority (ORDA):**

The SFY 2011-12 Executive Budget recommends All Funds appropriations of $5.1 million for The ORDA, a decrease of $522,000, or 10 percent from the current fiscal year. The reduction would be reflected in General Fund State Operations Support. The $5.1 million comprises approximately 15 percent of the Authority's $32.4 million operating budget, including $354,000 for Winter Sports Education and the Olympic Training Center.

**The Hudson River Valley Greenway Community Council:**

The SFY 2011-12 Executive Budget recommends All Funds appropriations of $321,000 for the Council, a reduction of $18,000 from current year funding. The Council is comprised of a 25 member advisory board that promotes the preservation of natural and cultural resources in the Hudson River Valley.

**The Greenway Heritage Conservancy of the Hudson River Valley:**

The SFY 2011-12 Executive Budget recommends All Funds appropriations of $166,000 for the Conservancy, a reduction of $18,000 from the current fiscal year. 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. It is funded entirely from the General Fund.

**Agriculture and Markets:**

The SFY 2011-12 Executive Budget recommends All Funds appropriations of $162.6 million for the Department of Agriculture and Markets. This represents a decrease of $9.3 million, or 5.7 percent, from the current fiscal year.

The Executive recommends General Fund appropriations of $13.8 million for local assistance projects, representing a $5 million reduction from SFY 2010-11. Funding is continued for the Agribusiness Child Development program ($6.5 million) and the Cornell Diagnostic Lab ($6.1 million) at SFY 2010-11 levels. Three agricultural education programs run by Cornell; Agriculture in the Classroom, the Association of Agricultural Educators and Future Farmers of America, would be eliminated.

General Fund appropriations are not included for several agricultural entities traditionally funded in the budget which provide research, education and promotional services. The Executive recommends that the funding for these entities be reduced by $2 million, and requires the entities to apply for funding through a new competitive program as discussed in the Article VII section.

The Executive Budget recommends $1 million in Capital Funds to maintain, repair, and rehabilitate the State Fair Grounds. This is a reduction of $750,000 from SFY 2010-11. A $2 million Capital Special Revenue Fund to develop private partnerships at the State Fair would remain unchanged.

The Executive recommends eliminating many Department of Agriculture and Markets reappropriations. Reappropriations older than six years would be eliminated. The Executive Budget also recommends the elimination of $951,000 in reappropriations related to legislative initiatives. In addition, the Executive eliminates the Grape Genomics Lab reappropriation due to a lack of federal funding. This represents a $2.5 million decrease per year over four years.

**Article VII Legislation:**

*Competitive Agriculture Development and Promotion Program* : The Executive proposes a $1.2 million Competitive Agriculture Development and Promotion Program. This program would provide funding for research, education and promotional services to agricultural entities through a competitive grant process administered through the newly proposed economic development regional councils. Programs that would be subject to this new process include the Farm Viability Institute, the Wine and Grape Foundation, and the New York State Apple Growers Association.

*The "Share NY Food" initiative*: the Department of Agriculture and Markets would be authorized to implement programs that increase access to fresh produce in underserved areas. Examples would be: expanding community supported agriculture programs and expanding acceptance of electronic benefit transfer cards at permanent farmers' markets. The Executive does not recommend any new funding, but would provide language to utilize available resources in the Upstate Agricultural Economic Development Fund and potential federal funding.

**Housing and Community Renewal**

The SFY 2011-12 Executive Budget recommends All Funds appropriations of $307.8 million for The Division of Housing and Community Renewal (DHCR), a reduction of $156.9 million from the current year level. This is primarily due to the elimination of one-time funding from the American Recovery and Reinvestment Act (ARRA) of $129.1 million and a reduction of $7.3 million in State Operations.

The Executive recommends the elimination of the $3 million State operating subsidy for the New York City Housing Authority (NYCHA), which has an operating budget of $2.8 billion.

The SFY 2011-12 Executive Budget recommends consolidating the Neighborhood Preservation Program (NPP) and Rural Preservation Program

(RPP) into a single competitive, performance-based program. Combined funding would be reduced from $12 million to $6 million. Current year funding of $12 million provides $8.5 million for NPP and $6 million for the RPP Program.

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

The SFY 2011-12 Executive Budget recommends All Funds appropriations of $31.5 million for NYSERDA, a decrease of $3.9 million from the current fiscal year. This decrease reflects an expected reduction in federal funding that requires a 10 percent state match for nuclear waste cleanup activities at West Valley in Cattaraugus County.

**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. A $16.2 million appropriation has been proposed for these programs.

**Department of Public Service (DPS):**

The SFY 2011-12 Executive Budget recommends All Funds appropriations of $80.4 million for DPS, an increase of $250,000 from the current fiscal year. This increase reflects anticipated increase in applications for power line construction.

*This reflects a reduction of $1.25 million from the elimination of ARRA funding previously available for smart grid inspection and a new $1 million federal grant available in SFY 2011-12 for pipeline safety activities. This $1 million federal grant will be used to fund three new FTEs.*

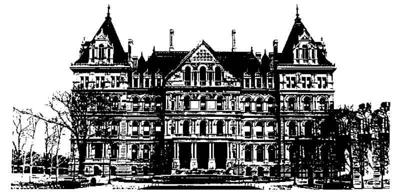
**Environmental Conservation, Agriculture and Housing Proposed Disbursements - All Funds**

**(Thousands of Dollars)**

| Agency | Estimated 2010-11 | Proposed 2011-12 | Change Amount | Percent |
|---|---|---|---|---|
| Adirondack Park Agency | 5,118 | 4,641 | (477) | -9.32% |
| Agriculture and Markets | 100,822 | 103,710 | 2,888 | 2.86% |
| Department of Environmental Conservation | 1,056,170 | 1,012,686 | (43,484) | -4.12% |
| Environmental Facilities Corporation | 9,067 | 9,249 | 182 | 2.01% |
| Housing and Community Renewal | 467,684 | 396,944 | (70,740) | -15.13% |
| Olympic Regional Development Authority | 4,815 | 4,366 | (449) | -9.33% |
| Parks, Recreation and Historic Preservation | 258,977 | 208,414 | (50,563) | -19.52% |
| **Totals:** | **1,902,653** | **1,740,010** | **(162,643)** | **-8.55%** |

| 2011-12 ENVIRONMENTAL PROTECTION FUND | | | |
|---|---|---|---|
| **SOLID WASTE** | **10-11 Enacted** | **11-12 Proposed** | **Yr to Yr Change** |
| Landfill Closure/Gas Management | 600 | 600 | 0 |
| Municipal Recycling | 6,639 | 6,435 | (204) |
| Pollution Prevention Institute | 2,000 | 2,000 | 0 |
| Secondary Marketing | 1,000 | 1,000 | 0 |
| Natural Resource Damages | 200 | 200 | 0 |
| Pesticide Database | 575 | 575 | 0 |
| **Subtotal Solid Waste** | **11,014** | **10,810** | **(204)** |
| **PARKS & REC** | | | |
| Waterfront Revitalization | 12,000 | 11,500 | (500) |
| Municipal Parks | 13,432 | 13,000 | (432) |
| Hudson River Park (HRP) | 3,000 | *3,000* | 0 |
| Public Access & Stewardship | 16,228 | 16,228 | 0 |
| ZBGA | 9,000 | 9,000 | 0 |
| **Subtotal Parks & Rec** | **53,660** | **52,728** | **(932)** |
| **OPEN SPACE** | | | |
| Land Acquisition | 17,614 | *17,500* | (114) |
| Smart Growth (Quality Communities) | 300 | 300 | 0 |
| Farmland Protection | 10,750 | 12,000 | 1,250 |
| Agricultural Waste Management | 430 | 430 | 0 |
| Biodiversity Stewardship | 500 | 500 | 0 |
| Albany Pine Bush Commission | 2,000 | 2,000 | 0 |
| Invasive Species | 3,800 | 3,800 | 0 |
| LI Pine Barrens Commission | 1,100 | 1,100 | 0 |
| Oceans & Great Lakes Initiative | 5,000 | 5,000 | 0 |
| Water Quality Improvement Prog | 2,932 | 2,932 | 0 |
| South Shore Estuary Reserve | 900 | 900 | 0 |
| Non-Point Source Poll Cont | 17,000 | 17,000 | 0 |
| Soil & Water Conserv. Dist | 3,000 | 3,000 | 0 |
| Finger Lk-Lk Ontario Watershed | 1,000 | 1,000 | 0 |
| Hudson River Estuary Plan | 3,000 | 3,000 | 0 |
| **Subtotal Open Space** | **69,326** | **70,462** | **1,136** |
| **TOTAL EPF** | **134,000** | **134,000** | **0** |

# Public Protection Fact Sheet



- The Executive Budget proposes a total All Funds spending reduction of $341 million or 7.2 percent from State Fiscal Year (SFY) 2010-11.

***Prison Closures – "Right-Sizing" the Correctional System – Task Force:***

- The Executive budget proposal would create a Task Force by Executive Order to recommend a reduction of 3,500 beds in medium and minimum correctional facilities, and ultimately identify prisons for closure. To date the Executive Order has not been issued.
- The savings through "right-sizing" the prison system is estimated at $72 million; $60.5 million associated with the takedown of 3,500 beds and $16.2 million related to the elimination of 20 training classes for correctional officers offset by $5 million in costs associated with the reopening of consolidated beds.
- The Executive proposes a reduction in administrative staff within the Department of Corrections and Community Supervision, to reflect reductions associated with "right-sizing" the prison system, for a savings of $5 million.

***Mergers:***

- The Executive proposes the merger of the Office of Victim Services (OVS), the Office for the Prevention of Domestic Violence (OPDV), and the State Commission of Corrections (SCOC) into the Division of Criminal Justice Services (DCJS), resulting in a savings of $477,000. The number of Full-Time Equivalent (FTE) positions impacted with this merger is unknown.
- The Executive proposes the merger of the Department of Correctional Services and the Division of Parole into the newly created Department of Corrections and Community Supervision. A savings of $6 million is anticipated in SFY 2011-12 and $8 million annually thereafter when fully implemented in SFY 2012-13.

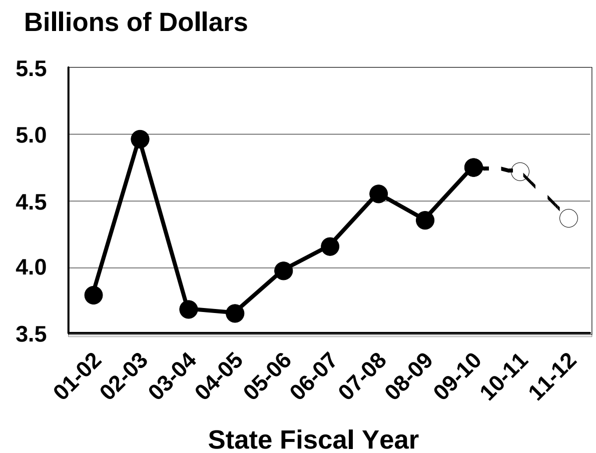
***Other Major Budget Impacts:***

- Board of Parole Membership is proposed to be reduced from 19 to 13 members, for a savings of $600,000.
- The Executive proposes a ten percent reduction totaling $326 million in State Operation funding and includes language to allow the Division of Criminal Justice Services and the Department of Corrections and Community Supervision the flexibility to interchange appropriations to effectuate the proposed reduction.
- Restructuring /eliminating the current criminal justice local assistance programs by combining all the local programs into one single $106 million appropriation and imposing a reduction of $14 million from SFY 2010-11 levels. In addition, the distribution of these funds would be subject to a plan developed by the Commissioner of DCJS that could include new initiatives. No specific details are available.

- Increases the Statewide Interoperability Grant Program from $20 million to $45 million in the Division of Homeland Security and Emergency Services.
- Suspends recruitment classes for the State Police which will decrease the State Police member strength by approximately 130 positions by April 2012.
- Although the Unified Court System (UCS) Budget request indicates a General Fund reduction of $356,019 for Court and Agency Operations, cash spending is expected to increase by $146 million (according to the SFY 2011-12 Executive Budget Five Year Financial Plan).

# PUBLIC PROTECTION

| All Funds Disbursements (Millions of Dollars) | | |
|---|---|---|
| | Estimated SFY 10-11 | Projected SFY 11-12 |
| Cash | 4,722 | 4,380 |
| Annual Growth Rate | -0.9% | -7.2% |
| 5 Year Average Growth (Actual) | | 5.5% |




The State Fiscal Year (SFY) 2011-12 Executive Budget recommends an All Funds cash disbursement decrease of $342 million or 7.2 percent for all public protection agencies. Major impacts associated with this decrease are listed in the chart below:

| Executive SFY 2011-12 Public Protection Major Recommendations Cost/(Saving) | |
|---|---|
| **Recommendations** | **SFY 2011-12** |
| "Right-Sizing" of the Prison System | ($72,000,000) |
| Creation of a New Department of Corrections and Community Supervision (merger of Division of Parole into the Department of Correctional Services) | ($6,000,000) |
| Merger of Criminal Justice Agencies | ($477,000) |
| Reduction in Parole Board Membership | ($600,000) |
| Ten Percent General Fund State Operations Reductions | ($326,000,000) |

In addition, the Executive includes new appropriation interchange language to allow the agencies the flexibility to increase or decrease spending within General Fund State Operations, Special Revenue, and Miscellaneous Special Revenue Funds to achieve the ten percent reduction. The following chart outlines the Executive proposed ten percent reduction for all public protection agencies:

| SFY 2011-12 Executive Proposed Ten Percent State Operation Reduction to Public Protection Agencies | |
|---|---|
| **Agency** | **Amount of 10% State Operations General Fund Reduction** |
| Department of Corrections and Community Services* | ($271,000,000) |
| Division of Criminal Justice Services** | ($6,400,000) |
| Division of State Police | ($45,883,000) |
| Division of Military and Naval Affairs | ($1,711,000) |
| Office of Homeland Security and Emergency Services | ($1,203,000) |
| **Total Amount of Reduction** | **($326,197,000)** |
| *Combines Department of Correctional Services ($252 million); Division of Parole ($16.6 million). | |
| **Only reflects the Division of Criminal Justice Services and not those agencies proposed for merger. | |
| Executive exempts the reduction from the Interest on Lawyers Account and Office of Indigent Legal Services. | |

## ***Department of Corrections and Community Supervision***

The Executive Budget includes an increase to the Department's SFY 2010-11 Enacted Budget appropriations for personal service in the amount of $10.2 million to reflect costs associated with collective bargaining agreements.

The Executive Budget recommends All Funds appropriations of $2.9 billion for the Department of Corrections and Community Supervision, a decrease of $276 million from SFY 2010-11. Of the total reduction, $268 million is related to the Executive's ten percent reduction in State Operations General Fund spending from a combination of reductions taken from the Department of Correctional Services (DOCS) and the Division of Parole; $2 million from the expiration of payments to victims of the September 1971 Attica Correctional Facility inmate uprising; $5 million from the Board of Prisoner payments for delayed billings from the counties; and the elimination of revenue from leasing of land for the placement of cell-towers, now deposited directly into the General Fund. These reductions are offset by an increase of $500,000 in anticipated Federal Funds.

### Merger of the Department of Correctional Services and the Division of Parole

The Executive proposes merging the Department of Correctional Services and the Division of Parole into the Department of Corrections and Community Supervision (DCCS). This consolidation is intended to improve the coordination of re-entry programming provided inside and outside of the system.

The plan for consolidation of these two agencies has yet to be fully developed, however, with the elimination of duplicative functions and sharing of services the Executive anticipates a savings of $6 million in SFY 2011-12, and $8 million when fully annualized in SFY 2012-13.

The Executive transfers 1,893 Full-Time Equivalent (FTEs) from the Division of Parole to DCCS. The Board of Parole would still function as a separate entity while receiving administrative support from the new entity. However, under the proposal the Board's current authority would change. The Board of Parole would no longer be given the authority to:

- set the conditions of parole supervision;
- decide revocations;
- release parole violators who have successfully completed their time assessment without a hearing; and
- issue certificates of relief and certificates of good conduct.

Currently, all of these functions are administered by the Board of Parole or via the Boards designee and under the proposal these functions would be transferred to employees of DCCS.

The Executive Budget also proposes to reduce the Board of Parole membership from 19 to 13 members, estimated to save $600,000. There are currently six vacancies on the Board. The Executive contends that this proposal aligns membership with the current workload.

### Prison Closure / Task Force

The Executive Budget includes provisions relating to a prison closure task force. The Task Force would be created by Executive Order and tasked with recommending a reduction of 3,500 beds in medium and minimum correctional facilities, and ultimately identifying prisons for closure.

According to briefing documents, the Task Force would have 30 days to make a recommendation with input from the Commissioner of Correctional Services on the types and number of excess beds. **The Executive Order has not been issued.** Specific information such as who the stakeholders on the Task Force are, when the Task Force takes effect, the process for making recommendation, the procedures and governance of the taskforce, the savings attributed to the specific facilities slated for closure, and the number of employees affected at those facilities is unknown.

Should the Task Force be unable to identify facilities for closure within the time period prescribed in the Executive Order, the Commissioner would be granted unilateral authority to implement a closure plan which could include the closure or restructuring of correctional facilities.

The savings through "right-sizing" the prison system is estimated at $72 million; $60.5 million associated with the takedown of 3,500 beds and $16.2 million related to the elimination of 20 training classes for correctional officers (700 FTE positions). Also in addition to "right-sizing" the correctional system, the Executive proposes that administrative staff at the Department of Correctional Services be reduced for a savings of $5 million. These savings are offset by $5 million in new costs associated with the reopening of consolidated beds.

In addition, the Executive proposes Article VII legislation to repeal the statutory one-year prison closure notification and adaptive reuse plan. Also, **the Executive includes language related to the Task Force and the closure of prisons within appropriation language.**

The Article VII legislation directs the Chairman of the Urban Development Corporation to prepare an economic transformation plan for the impacted community in consultation with the corresponding regional development council no later than six months after the prison closure. Communities impacted by a prison closure would receive assistance from new regional economic development councils, which have yet to be created by another Executive Order. Up to $100 million is proposed to assist communities impacted by a potential closure. The amount of funding to each community would depend upon the cost of the economic development project rather than being equally divided among impacted communities.

Residential Mental Health Units (RMHU)

The Executive Budget proposes 100 new FTE positions to fulfill legislative mandates to comply with the Special Housing Exclusion Law, in the area of health. Of the following it is unknown at which facilities these new FTEs would be placed:

- New 60 bed RMHU facility at Five Points Correctional Facility;
- Bedford Hills Therapeutic Behavioral Unit; and
- Security escort requirements for various Mental Health services at various facilities.

Correctional Industries

The Executive Budget reduces the General Fund transfer to the Correctional Industries for the production of license plates from $14 million to $9.5 million.

***Division of Criminal Justice Services***

The Executive Budget recommends $346.9 million in All Funds appropriations for the Division, a decrease of $68.5 million from SFY 2010-11 levels.

Merger of Criminal Justice Agencies

The SFY 2011-12 Executive Budget proposes the merger of the following agencies, which when fully implemented would save the State $477,000 in SFY 2011-12:

- the Office of Victim Services (OVS),
- the Office for the Prevention of Domestic Violence (OPDV), and
- the State Commission on Corrections (SCOC).

DCJS already provides administrative support to these agencies. A full merger is proposed to offer a more efficient and cost-effective environment for the delivery of programs and services. The overall FTE impact related to this proposed merger is unknown at this time.

The Office for the Prevention of Domestic Violence and the Office of Victim Services would be new offices within DCJS headed by a Director, reporting to the Commissioner of DCJS. As a result of the merger, the Executive would eliminate the Office of Victim Services $105,000 appropriation related to conference fees. The three members of the State Commission of Corrections, mandated by the constitution, would remain, however, the Chair of the Commission would report to the Commissioner of DCJS. The other two members of SCOC would be paid on a per diem basis as opposed to salaried.

In addition, Article VII language provides for the transfer of employees, records, authority, rules and regulations, assets and liabilities related to the merger of these agencies with DCJS.

Restructuring - Potential Elimination of Traditional General Fund Local Criminal Justice and Probation Programs and Across-the-Board Reductions

The Executive combines all current year local assistance programs including probation aid and funding for alternatives to incarceration programs into one lump sum appropriation totaling $106 million. This appropriation is increased by $4.2 million as a result of the Executive's continued funding for Probation Aid and Probation Violation Centers that was previously funded with Federal American Recovery and Reinvestment (ARRA) Act of 2009 dollars. These increases are offset by an across the board reduction of $14 million or 13.2 percent from SFY 2010-11.

The level of funding for any of these programs is unknown. Under this new configuration the Commissioner of DCJS would have the authority (considering performance measures and program outcomes) to either continue, discontinue some or fund new programs. Local assistance programs previously lined out as separate appropriations and now proposed within a general lump sum are outlined in the chart below:

| SFY 2011-12 Aid to Localities Programs Restructured/Potentially Eliminated | | | |
|---|---|---|---|
| **Funding and Program Assistance** | **SFY 2010-11 Amount** | **SFY 2011-12 Executive Proposed Reduction** | **SFY 2011-12 Executive Proposed Amount** |
| Aid to Prosecution | $11,600,000 | Across the Board Reduction | Programs to be distributed under the new Crime Prevention and Reduction Strategies Program pursuant to a plan developed by Commissioner of DCJS* |
| Aid to Defense | $5,981,000 | | |
| Special Narcotics Prosecutor | $896,000 | | |
| New York State Defenders Association | $1,185,000 | | |
| New York State Prosecutors Training Institute | $2,502,000 | | |
| Re-entry Task Forces | $3,327,000 | | |
| Soft Body Armor | $557,000 | | |
| Crime Laboratories | $7,207,000 | | |
| District Attorney Salaries | $2,282,000 | | |
| Drug Diversion | $671,000 | | |
| Westchester County Policing Program | $2,155,000 | | |
| Witness Protection Program | $330,000 | | |
| Operation IMPACT | $15,683,000 | | |
| **Subtotal** | **$54,376,000** | | |
| **Probation Programs** | | | |
| Relapse Prevention | $3,524,000 | | |
| Probation Eligibility | $889,000 | | |
| Supervision and Treatment | $509,000 | | |
| Drug and Alcohol Treatment | $2,079,000 | | |
| Temporary Assistance For Needy Families (TANF) - 200% Poverty Level | $2,848,000 | | |
| Demonstration Program | $4,315,000 | | |
| Probation Aid | $47,250,000 | | |
| Probation Violation Centers | $0 | | |
| **Subtotal** | **$61,414,000** | **($13,955,000)** | **$106,122,000** |
| ****Continuation of Probation ARRA Funds** | | **$4,287,000** | |
| **TOTAL** | **$115,790,000** | **($9,668,000)** | **$106,122,000** |

*It is unknown which programs would be funded and at what level. In addition, new initiatives could also be funded. The Commissioner of DCJS would take into consideration performance measures and outcomes when determining what programs would be funded.

**Executive includes funding intended for Probation Aid at $3.2 million and $1 million for Probation Violation Centers due to the discontinued Federal American Recovery and Reinvestment Act (ARRA) of 2009 funding.

The Executive combines the following appropriations and maintains the same level of funding as appropriated in SFY 2010-11:

- OPDV, hotline and family violence appropriations are combined ($685,000); and
- OVS, payment of claims and programs that provide services to crime victims and witnesses are combined ($30.5 million).

Federal Funding

Federal funding in DCJS is reduced by $39 million from SFY 2010-11 levels, a decrease of $40.7 million resulting from the discontinuation of the Federal ARRA funds. This decrease is offset by $2.7 million in additional Federal funds under the Federal Byrne Memorial Justice Assistance Grant (JAG) Program, and $300,000 in Federal Juvenile Justice and Delinquency Prevention Formula Program.

Criminal Justice Improvement Account

The Executive increases the transfer from the Special Revenue Criminal Justice Improvement Account (CJIA) to the General Fund by $10.8 million to $22 million. In addition, the Executive eliminates $1.2 million in Legislative domestic violence programs funded through the CJIA. The Executive reduces by $5.5 million the Division's Special Revenue Fingerprint Identification and Technology Account to reflect the current needs of the agency.

Legal Services Assistance Account

The Executive further combines Aid to Prosecution, Aid to Defense and the District Attorney and Indigent Legal Services Attorney Loan Forgiveness programs funded by the Legal Services Assistance Account into one lump sum appropriation totaling $7.6 million. In addition the appropriation is reduced ten percent or $846,000. Also, the Executive eliminates Legislative initiatives for civil and criminal legal services additions totaling $5.2 million. Impacted programs that were once specifically lined out as separate appropriations are outlined in the chart below:

**SFY 2011-12 Executive Proposed Funding Under the Legal Services Assistance Account**

| Programs | SFY 2010-11 Enacted Amount | Executive Proposed Amount | Change |
|---|---|---|---|
| Aid to Prosecution | $2,880,000 | Lump Sum Appropriation - Specific Amount for Each Program Unknown | ($846,000) |
| Aid to Defense | $2,880,000 | | |
| District Attorney and Indigent Legal Attorney Loan Forgiveness Program | $2,700,000 | | |
| Civil/Criminal Legal Services (Legislative Items) | $5,200,000 | $0 | ($5,200,000) |
| TOTAL | $13,660,000 | $7,614,000 | ($6,046,000) |

Other Article VII Legislation

The Executive also proposes the following Article VII legislation:

- Extension of various criminal justice programs set to expire.
- Makes permanent and changes the distribution of certain monies recovered by District Attorneys in New York City. The Executive anticipates this proposal to generate $75 million in revenue for the State in SFY 2011-12.

***Office of Indigent Defense***

The Executive Budget recommends $80 million in All Funds support for the Office, created in

SFY 2010-11. This represents an increase of $1.5 million from the 2010-11 budget that is adjusted for full annualization. The remaining $77 million will be available for distribution to counties and New York City for the cost of indigent defense services.

***Division of State Police***

The Executive Budget includes an adjustment to the Division's SFY 2010-11 Enacted Budget appropriations for personal service in the amount of $1 million to reflect costs associated with collective bargaining agreements.

The Executive Budget recommends $677 million in All Funds appropriations for the Division, a decrease of $45.8 million from SFY 2010-11 levels. This primarily represents the Executive proposal to reduce agency spending by ten percent, and is offset by a $1 million increase in new Federal funding under the Community Oriented Policing (COPS) Program and the Federal National Institute of Justice Program.

The Division of State Police has not held a training class in SFY 2010-11. The last class graduated in 2008. The Executive is not proposing a new training class in SFY 2011-12. By April 2012, without a new training class, the State Police force will be approximately 130 positions below its' April 2010 staffing levels of approximately 4,400.

***Division of Homeland Security and Emergency Services***

The Executive Budget recommends $818 million in All Funds support for the Division, a decrease of $18 million from the 2010-11 Enacted Budget. This mainly is attributable to the elimination of $42 million in bonded capital to expand the State Preparedness Training Center at Oriskany (Oneida County) into a statewide training center for first responders; and a $1.2 million reduction of ten percent in State Operation spending. These reductions are offset by a $25 million increase in the Statewide Interoperability Grant Program.

The Executive proposes an increase in the Division's workforce by 29 new FTE positions of which 26 are funded from Federal funds ($1.6 million) and three are funded from Special Revenue funds ($230,000). The following list identifies the breakout of the additional FTEs by office:

- Office of Emergency Management: 13
- Office of Counter Terrorism: Ten
- Office of Cyber Security: Five
- Office of Administration and Finance: One

In addition, the Executive advances Article VII legislation that would eliminate the annual $1.5 million subsidy for the Emergency Services Revolving Loan Fund from the Statewide Public Safety Communications Account. The Executive does not anticipate this would hinder the ability to make loans from this fund.

***Homeland Security / Miscellaneous***

The SFY 2011-12 Executive Budget recommends $169 million in funding, an increase of $1 million or 2.8 percent from current year levels. This reflects an increase of $6 million in Federal funds under the Special Revenue Airport Security Account, offset by a reduction of $5 million in Federal payments to combat domestic terrorism.

***Division of Military and Naval Affairs***

The Executive Budget recommends $106 million in All Funds support for the Division, an increase of $6.7 million from SFY 2010-11. This increase includes $8.5 million in additional capital projects funding offset by a ten percent decrease in General Fund State Operations spending.

In addition, the Division's workforce is adjusted to reflect 25 FTEs through the use of Federal funds: 21 under the Military Readiness Program, and four under the Military Readiness Airbase Protection.

***Interest on Lawyers Account***

The SFY 2011-12 Executive Budget proposes a an increase of $16,000 related to personal service adjustments.

The SFY 2011-12 Executive Budget recommends $45 million in spending authority for local grants consistent with current year authority. The actual disbursement amounts depend on the interest generated by the trust accounts to fund the programs. As of December 31, 2010 the account balance was $7 million. In SFY 2010-11 $6.5 million was disbursed in grants for April to December 2010.

***Judiciary***

The SFY 2011-12 Unified Court System (UCS) Budget proposes approximately $2.7 billion in spending authority, a net increase of $50 million, or 1.9 percent summarized as follows:

- All Funds spending (excluding the items listed below) would decrease $719,174, from approximately $2.089 billion to approximately $2.088 billion;
- Interest On Lawyer Account (IOLA) support would increase by $165,000 from $14.8 million to $15 million; and
- General State Charges (GSC) for the UCS workforce would increase by approximately $50 million from $567 million to $617 million.

The increase in GSC spending reflects rising benefit costs for the 18,300 member UCS work force (17,000 nonjudicial employees and 1,300 state paid judges). Based upon the UCS Budget request for SFY 2011-12, the Judiciary is requesting $1.5 billion in personal service spending authority; this represents approximately 54 percent of the UCS Budget.

**The UCS budget request asserts that the Judiciary is actually reducing spending by $356,019**; this amount accurately reflects a decrease in General Fund appropriations for Court and Agency Operations, but excludes special revenue funds, aid to localities capital projects and general state charges (these amounts are components of the $2.7 billion).

**Further, the SFY 2011-12 Executive Budget Five Year Financial Plan projects that cash disbursements for the Judiciary will increases by approximately $146 million.**

The Judiciary has not communicated an intent to undergo a ten percent reduction to court and agency operations comparable to what the Executive is proposing for State agencies under its direct control. Should UCS implement a similar reduction based on right sizing and work force concessions, a savings of as much as $150 million could be realized, based upon a ten percent reduction in personal service expenditures.

The UCS Budget also requests a new appropriation of $25 million for the purpose of funding Civil Legal Services. IOLA currently provides $14.8 million in funding for Civil Legal Services from interest earned on trust accounts held by attorneys for their clients. These funds are disbursed from IOLA to organizations that provide civil legal services to the indigent, elderly and disabled.

***Department of Law***

The Executive Budget recommends an All Funds spending decrease of $11.2 million offset by an increase of $11.3 million in the Litigation Settlement Account, for a net decrease of $1 million.

Additionally, the Department of Audit and Control is given broad appropriation interchange language that allows unlimited transfer and movement of spending authority between any account or program within the Department.

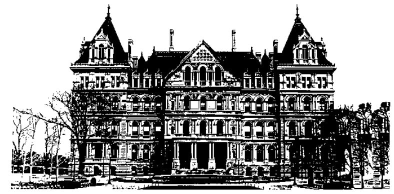
**Public Protection**
**Proposed Disbursements - All Funds**
**(Thousands of Dollars)**

| Agency | Estimated 2010-11 | Proposed 2011-12 | Change Amount | Percent |
|---|---|---|---|---|
| Department of Corrections (2) | 2,702,098 | 2,641,076 | (61,022) | -2.26% |
| Division of Criminal Justice Services | 343,785 | 372,871 | 29,086 | 8.46% |
| Division of Parole (2) | 179,398 | 0 | (179,398) | -100.00% |
| Division of State Police | 706,985 | 647,159 | (59,826) | -8.46% |
| Office of Victim Services (1) | 67,372 | 0 | (67,372) | -100.00% |
| Commission of Correction (1) | 2,701 | 0 | (2,701) | -100.00% |
| Judicial Commissions | 5,292 | 4,763 | (529) | -10.00% |
| Military and Naval Affairs | 218,975 | 192,238 | (26,737) | -12.21% |
| Homeland Security & Emergency Services (Homeland Miscellaneous) | 390,956 | 409,228 | 18,272 | 4.67% |
| Office of Indigent Legal Services | 73,691 | 79,997 | 6,306 | 8.56% |
| Office for the Prevention of Domestic Violence (1) | 30,956 | 33,408 | 2,452 | 7.92% |
| **Totals:** | **4,722,209** | **4,380,740** | **(341,469)** | **-7.23%** |
| | | | | |
| Judiciary | 2,610,341 | 2,756,648 | 146,307 | 5.60% |
| Department of Law | 206,266 | 205,617 | (649) | -0.31% |

(1) These agencies are proposed to be consolidated into DCJS.

(2) These agencies are proposed to be merged into a new entity to be named the Department of Corrections and Community Supervision.

# Economic Development: Fact Sheet



- The Executive Budget proposes total All Funds spending reductions of $301.5 million, or 26.4 percent.

- General Fund spending on economic development would be reduced by $14.3 million, or 14.5 percent, including the ten percent across the board reduction in State Operations proposed by the Executive.

    - Spending for the International Trade Program would be $1.08 million, a reduction of $120,000.
    - Spending for tourism marketing (I ♥ NY program) would be $3.6 million, a reduction of $400,000.

- Local Assistance spending would be reduced by $10.6 million, or 14 percent.

    - The reduction primarily reflects the elimination of $25 million for the Small Business Revolving Loan Program authorized in SFY 2010-11.
    - Elimination of the Gateway Information Center in Binghamton.
    - Funding for the local tourism matching grants would continue at $3.8 million, the same as in SFY 2010-11.
    - Funding for the Minority and Women Owned Business loan program would be $3.4 million, an increase of $2.8 million.

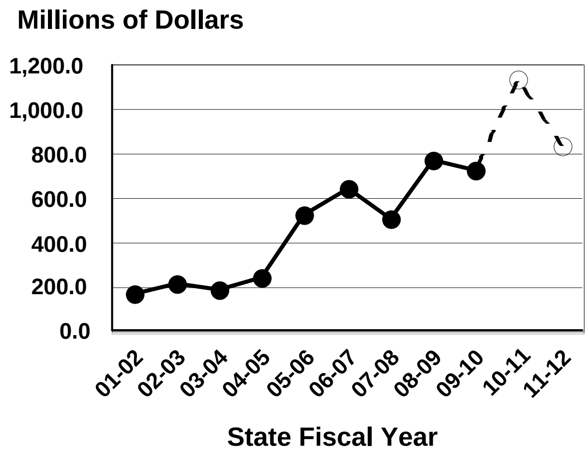
- The Foundation for Science, Technology and Innovation (NYSTAR) would be merged into the Empire State Development Corporation (ESDC), resulting in $2 million in savings and the reduction of 23 employees.

- The Executive would establish ten regional economic development councils by executive order to be headed by the Lieutenant Governor.

    - This construct would give the Lieutenant Governor control over the distribution of $340 million in economic development funds.
    - The regional councils would provide "one-stop" shopping for all business assistance offered by state agencies and authorities.
    - The Executive proposes to re-program $340 million in uncommitted funds of various economic development capital resources (i.e. CEFAP and Strategic Investment Program) to fund grants made by the regional councils.
    - $100 million of the re-programmed capital money would be used to fund the proposed Economic Transformation Program in relation to prison and youth facility closures.

# ECONOMIC DEVELOPMENT

| All Funds Disbursements (Thousands of Dollars) | Estimated SFY 10-11 | Projected SFY 11-12 |
|---|---|---|
| Cash | 1,142,308 | 840,798 |
| Annual Growth Rate | 56.3% | -26.4% |
| 5 Year Average Growth (Actual) | | 32.7% |




The SFY 2010-11 Executive Budget recommends an All Funds cash disbursement decrease of $301.5 million or 26.4 percent for all economic development agencies. This decrease is primarily due to the elimination of the one year capital disbursements for the Aqueduct VLT facility and the Global Foundries semiconductor facility. Also contributing to the decrease in spending is the proposed consolidation of the Foundation for Science, Technology and Innovation (d.b.a. NYSTAR) into the Empire State Development Corporation.

General Fund spending for economic development is projected to decrease by $14.3 million, or 14.5 percent from SFY 2010-11. This decrease is mainly attributable to the proposed ten percent decrease in State Operations spending. This includes a ten percent reduction in spending for the International Trade Program and the Tourism Marketing Program.

**Regional Economic Development Councils**

The Executive proposes to establish ten regional economic development councils by executive order. These regional councils would provide "one-stop shopping" for all business assistance programs offered by state agencies and authorities.

The regional councils would be able to provide economic development grants, through ESDC, to businesses whose economic development plans have been approved by the councils. In order to fund these grants, approximately $130 million in uncommitted funds of various economic development capital programs would be re-programmed. The regional councils would also be able to allocate $70 million of tax credits under the Excelsior Jobs Program.

The regional councils, along with the task force on prison and youth facility closures, would oversee the Economic Transformation Program. This program would provide $100 million in capital funding to those communities impacted by these closures.

**Agency Consolidation**

One of the Executive's economic development initiatives is the consolidation of NYSTAR into the Urban Development Corporation, d.b.a. Empire State Development Corporation (ESDC). All of NYSTAR's powers and functions would be transferred over to ESDC, including local assistance for the high technology and research development programs.

This consolidation would result in approximately $2 million in savings in SFY 2011-12. However, it would also result in the loss of 23 employees; of which, five are expected to be transferred to ESDC.

**Excelsior Jobs Program**

As part of the SFY 2010-11 Budget, the Empire Zones Program was replaced with the Excelsior Jobs Program. Under this program, four refundable tax credits were created for selected firms in targeted industries that create and maintain a specified number of new jobs in New York. The number of new jobs is dependent upon the industry in which the business operates. For example, a manufacturing business would be required to create at least ten jobs.

The fully refundable tax credits include Excelsior New Jobs Tax Credit, Excelsior Investment Tax Credit (ITC), Excelsior Real Property Tax Credit, and the Excelsior Research and Development (R&D) Tax Credit. An eligible firm is able to receive these tax benefits for a term of five years.

The Executive Budget proposes amendments to the program as follows:

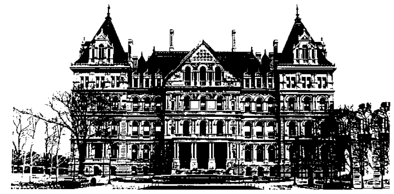
- The tax benefit period would be extended from five years to ten years;
- The new jobs tax credit would be calculated as the product of gross wages and 6.85 percent as opposed to a percentage of salary and benefits;
- The real property tax credit would apply to real property taxes imposed subsequent to any capital improvements; and
- The R&D tax credit would be equal to fifty percent of the federal credit.

The changes made by the Executive Budget do not address the weakness of the program. The program is still too inflexible and too exclusive. Each phase of the program is estimated to include approximately 40 companies. In addition, if a company performs and grows beyond plans and expectations the company gains no additional benefits from the program.

**Economic Development**
**Proposed Disbursements - All Funds**
**(Thousands of Dollars)**

| Agency | Estimated 2010-11 | Proposed 2011-12 | Change Amount | Change Percent |
|---|---|---|---|---|
| Department of Economic Development | 89,589 | 60,607 | (28,982) | -32.30% |
| Empire State Development Corporation | 1,015,195 | 775,106 | (240,089) | -23.60% |
| Economic Development Capital-Other | 6,500 | 2,500 | (4,000) | -61.50% |
| Foundation for Science Technology and Innovation | 31,024 | 2,585 | (28,439) | -91.70% |
| **Totals:** | **1,142,308** | **840,798** | **(301,510)** | **-26.40%** |

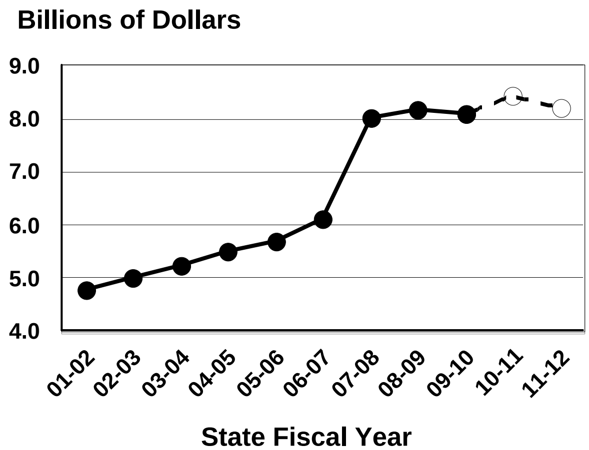
# Mental Hygiene Fact Sheet



- The SFY 2011-12 Executive Budget proposes $604 million in gap-closing actions for Mental Hygiene Agencies.
- The Executive proposes $293 million in reductions to Mental Hygiene Agencies through a ten percent reduction in General Fund State Operations spending and delaying the Human Services Cost of Living Adjustment (COLA) for one year.
- The Executive proposes to restructure non-residential Office of Mental Health programs as well as reform the financing of various Office of People with Developmental Disabilities programs, saving $100 million.
- The Office of Mental Health (OMH) and the Office for People with Developmental Disabilities (OPWDD) propose $72 million in savings from freezing development of OMH community residential programs, and OPWDD would delay the development of community residential opportunities.
- The Office of Alcoholism and Substance Abuse Services proposes $47 million in savings from utilizing quality assessments to determine funding for programs, maintaining the current level of funding associated with drug law reform and implementing other initiatives.
- Under the Executive proposal, the Mental Hygiene Agencies would improve and increase collections through audits and third party payments, saving $92 million.

# MENTAL HYGIENE

| All Funds Disbursements (Millions of Dollars) | Estimated SFY 10-11 | Projected SFY 11-12 |
|---|---|---|
| Cash | 8,430 | 8,203 |
| Annual Growth Rate | 4.2% | -2.7% |
| 5 Year Average Growth (Actual) | | 8.6% |




The SFY 2011-12 Executive Budget recommends an All Funds cash disbursement decrease of $227 million or 2.7 percent for all mental hygiene agencies. Actual gap closing actions to close the increase in base spending total $604 million. Initiatives to close the gap are reflected as follows:

| Cost Saving Proposals | SFY 2011-12 ($ in millions) |
|---|---|
| OMH Non-Residential Programs Restructuring | (27) |
| OPWDD Programs Financing Reform | (73) |
| OMH Community Residential Freeze | (32) |
| OPWDD Community Residential Delay | (40) |
| OASAS Program Quality Review | (27) |
| OASAS Drug Law Implementation | (20) |
| Improve Collections | (92) |
| Delay COLA Increase | (42) |
| State Operations General Fund Reduction | (251) |
| **Total** | **(604)** |

## Department of Mental Hygiene

- The Executive proposes ten percent reductions for General Fund State Operations spending. The final details of this reduction are dependent upon negotiations with representatives of the labor workforce. Mental Hygiene Agency State Operations spending is decreased by $251 million;
- Delay the Cost of Living Adjustment for Human Service Providers for one year, resulting in savings of $42 million for all Mental Hygiene Agencies;
- Improve audit and billing practices in order to maximize third party and Federal payments, saving $46 million; and
- Expand upon efforts to recover funds from not-for-profit providers through financial reviews and audit activities ($46 million).

**Office for People with Developmental Disabilities (OPWDD)**

- The Executive proposes reforming the financing of OPWDD services by reducing reimbursement for residential, non-residential and day services to increase efficiencies and constraining non-direct care service costs. Reimbursement to the Individualized Residential Alternative programs would also be reduced to encourage greater effectiveness. These savings are administrative in nature and included in the Financial Plan ($73 million);
- Delaying the development of community adult and child residential opportunities, while investing in 2,300 lower-cost residential and/or non-residential settings and programs to support those who are negatively impacted by the delay ($40 million in savings).

**Office of Mental Health (OMH)**

- The Executive proposes freezing the development of all new OMH community residential programs for one year, as well as beginning a two year phase-out of resources for Family Based Treatment beds. Aid to providers funded above regional per-bed models will be reduced and residential units in development will be converted to lower cost alternatives, saving $32 million;
- Restructuring non-residential programs, such as Continuing Day Treatment, to promote the Personal Recovery Oriented Services program. There are also reductions for Children's Clinic Plus, training and education and local administration. Community Residences, Family Based Treatment and Residential Treatment Facilities rate reimbursement is maintained at SFY 2010-11 levels ($27 million in savings); and
- As a result of a Federal Court Order, the Executive proposes a multi-year plan to provide additional funding for supported housing and support services has been developed for 4,500 individuals leaving New York City adult nursing homes. The projected cost for the State is $41.3 million in SFY 2011-12, an increase of $40 million over last year.

**Office of Alcoholism and Substance Abuse Services (OASAS)**

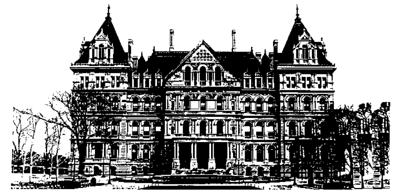
- The Executive proposes, through administrative action, to use quality assessments in determining funding for OASAS programs. Programs that fail to attain performance indicators, established by OASAS, will experience a reduction in funding. In addition, the Executive Budget proposal reduces gambling education, assessment and referral programs and the development of prevention programs and Recovery Centers. Local assistance payments are maintained at SFY 2010-11 levels ($27 million in savings); and
- Continue the current levels of funding for costs related to recent drug law reforms, including the continuation of 250 residential beds, and meeting the increased needs for this population using enhanced performance and prioritization of services, saving $20 million.

## Mental Hygiene
## Proposed Disbursements - All Funds

**(Thousands of Dollars)**

| **Agency** | **Estimated 2010-11** | **Proposed 2011-12** | **Change Amount** | **Change Percent** |
|---|---|---|---|---|
| Office of Mental Health | 3,348,838 | 3,278,119 | (70,719) | -2.1% |
| Office for Developmental Disabilities | 4,468,924 | 4,323,324 | (145,600) | -3.3% |
| Office of Alcoholism and Substance Abuse | 591,828 | 581,380 | (10,448) | -1.8% |
| Commission of Quality Care | 16,155 | 15,964 | (191) | -1.2% |
| Developmental Disabilities Planning Council | 4,200 | 4,200 | 0 | 0.0% |
| **Totals:** | **8,429,945** | **8,202,987** | **(226,958)** | **-2.7%** |

# Human Services Fact Sheet



- The Executive Budget proposes All Funds spending of $9.7 billion, a reduction of $213 million or 2.2 percent from SFY 2010-11.

**Office of Children and Family Services (OCFS)**

**Juvenile Justice Reform:**

- Proposes reducing total capacity by 376 beds, from 1,209 beds to 833 beds, and eliminating 371 Full-Time Equivalent positions (FTEs) through *unidentified* facility closures or downsizings.
- Repeals the statutorily required 12-month closure notification requirement to achieve facility closure savings. (SFY 2011-12 Savings: $21.8 million)
- Supports an additional 414 FTEs to improve medical and mental health services and to increase staff-to-youth ratios in OCFS facilities. (SFY 2011-12 Cost: $26.1 million)
- Eliminates the current open-ended 49 percent State reimbursement for local-secure and non-secure detention ($33.8 million) effective June 30, 2011 and provides a new 50 percent reimbursement program for local detention costs for high-risk youth ($15 million) beginning July 1, 2011. (SFY 2011-12 Savings: $23 million)
- Creates a Supervision and Treatment Services for Juveniles Program to provide localities with a 62 percent match for performance-based alternatives to detention and residential placement programs. This program is capped at $31. 4 million. (SFY 2011-12 Cost: $31.4 million)

**Other Children and Family Budget Action Highlights:**

- Reduces the State share of Adoption Subsidies from 73.5 percent to 62 percent. (SFY 2011-12 Savings: $34 million)
- Shifts the State's 36.8 percent reimbursement for the maintenance costs associated with the Committee on Special Education to local school districts, increasing their share to 56.8 percent. (SFY 2011-12 Savings: $69 million)
- Eliminates various contract programs, including Home Visiting and Community Optional Preventive Services, which provide front-end prevention services for youth delinquency and foster care placements and reinvests 50 percent of the savings to create the Primary Prevention Incentive Program. (SFY 2011-12 Savings: $35.4 million)
- Requires discretionary Federal Title XX funds, which currently support eligible local spending, be utilized for child welfare services to offset State spending. This action would result in $22.4

million in State and $13.6 million in local savings on child welfare expenditures, but would also result in a $22.4 million reduction in available Federal Funding for local discretionary spending.

## Office of Temporary and Disability Assistance (OTDA)

### Public Assistance Changes

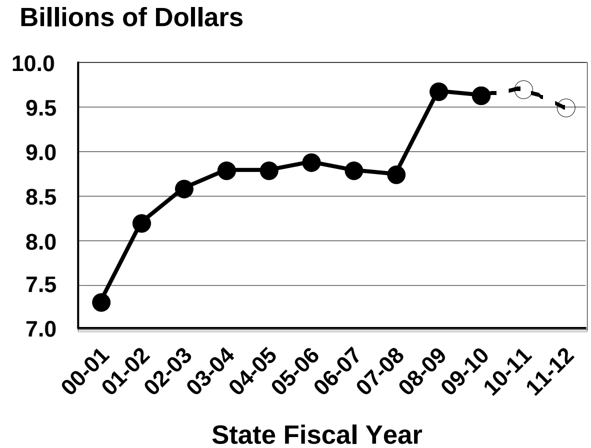
- Delays the third phase of the 2011 public assistance basic grant increase until July 2012. (SFY 2011-12 Savings: $29.3)
- Fully finances Family Assistance recipients with Federal Temporary Assistance for Needy Families (TANF) funding and reduces the State share of Safety Net Assistance from 50 percent to 30 percent. (SFY 2011-12 State Savings: $61.6 million and Local savings: $52.7 million)
- Implements a full sanction of public assistance benefits upon an individual's or families' second failure to comply with employment requirements. (SFY 2011-12 savings: $7.4 million)
- Eliminates State and Federal TANF funding for the New York City Work Advantage Program. (SFY 2011-12 savings: $35 million)

### Other Social Services Budget Action Highlights:

- Reduces State reimbursement for New York City adult homeless shelters. (SFY 2011-12 Savings: $15.7 million)

# HUMAN SERVICES

| All Funds Disbursements (Millions of Dollars) | Estimated SFY 10-11 | Projected SFY 11-12 |
|---|---|---|
| Cash | 9,710 | 9,498 |
| Annual Growth Rate | 0.61% | -2.19% |
| 5 Year Average Growth (Actual) | | 2.00% |




The State Fiscal Year (SFY) 2011-12 Executive Budget recommends an All Funds cash disbursement decrease of $213.4 million, or 2.2 percent, for all human service agencies. Major impacts included within this total and net spending decreases are listed in the chart below:

| Executive SFY 2011-12 Human Services Major Initiatives Cost/(Saving) Proposals Amounts in Thousands | |
|---|---|
| **Proposal** | **SFY 2011-12** |
| Close or Downsize Underutilized Youth Facilities | ($21,762) |
| Increase Staff-to-Youth Ratios at Youth Facilities | $26,114 |
| Restructure Local and Non Secure Financing | $21,496 |
| Create a Supervision and Treatment Services for Juveniles Program | $29,161 |
| Eliminates Various OCFS Contract Programs and Creates a Primary Prevention Incentive Program | $35,420 |
| Eliminates the State Share of Committee on Special Education Maintenance Costs | ($69,000) |
| Fully Finance Public Assistance with Federal funding and reduce State Reimbursement for Safety Net Assistance | ($61,546) |
| Reduce Reimbursement for NYC Adult Homeless Shelter System | ($15,680) |
| Eliminate State funding for the NYC Work Advantage Program | ($35,000) |

The following narrative focuses on these major budget proposals.

***<u>Office of Temporary and Disability Assistance (OTDA)</u>***

The SFY 11-12 Executive Budget provides $5.6 billion in All Funds appropriations, a decrease of $367.8 million, or 6.2 percent, from current levels. The net All Funds reduction can be attributed to a reduction of Federal Temporary Assistance for Needy Families (TANF) contingency funds and General Fund spending reductions to local assistance and state operation programs.

**<u>Temporary and Disability Assistance Program</u>**

New York State receives a $2.4 billion block grant allocation annually funded 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 to provide a variety of support services to eligible families.

<u>Public Assistance Caseload:</u>

Public Assistance caseload began to increase in September of 2008 as result of the condition of the economy and increased unemployment rates. However, caseload is projected to decrease in

SFY 2011-12. The Executive Budget projects a total caseload of 531,723, a 1.4 percent decrease from the current year estimate of 539,170 cases.

Delay the Third Phase of the 2011 Assistance Grant Increase:
The SFY 2009-10 Enacted Budget included a 30 percent increase to the non-shelter portion of public assistance payments to be phased in over three successive years at ten percent a year. The Executive proposes Article VII Legislation to delay the third and final ten percent increase scheduled for July of 2011 by one year. SFY 2011-12 saving associated with the delay total $29.3 million.

Adjust Financing for Public Assistance Programs:
The SFY 2011-12 Executive Budget proposes to fully finance the Family Assistance program and Emergency Assistance for Families program 100 percent with Federal TANF funding. Currently the programs are funded as follows: 50 percent Federal, 25 percent State, and 25 percent local. Additionally, the Executive proposes reducing the State share for the Safety Net Assistance program from 50 percent to 30 percent. Currently the program is funding as follows: 50 percent State and 50 percent local. These actions are estimated to achieve $61.6 million in State savings and $52.7 million in local savings in SFY 2011-12.

Implement Full Family Sanctions:
The Executive also proposes Article VII Legislation to strengthen work compliance of public assistance recipients. The legislation would impose a full family sanction upon the second instance of non-compliance with work requirements, without good cause. Currently non-compliant households continue to receive benefits at a reduced level. Savings associated with this proposal are estimated to be $7.4 million in SFY 2011-12.

Eliminate State funding for the New York City (NYC) Work Advantage Program:
The Executive Budget proposes to eliminate State funding and/or the use of Federal TANF dollars for the NYC Work Advantage Program. Currently the program provides approximately 14,000 working families or individuals in NYC with enhanced shelter allowances. SFY 2011-12 savings are estimated at $35 million.

Eliminate TANF Funding for Certain Programs:
The proposal to fully fund the Family Assistance program with Federal TANF dollars would significantly reduce available resources for other TANF programs. The Executive proposes **eliminating** funding for the following TANF surplus initiatives:

- ACCESS-Welfare to Careers ($250,000);
- Advantage Schools ($11.2 million);
- Alternative to Detention($6 million);
- Bridge (-$1 million);
- Career Pathways ($5 million);
- Caretaker Relative ($250,000);
- Child Care CUNY($696,000);
- Child Care Demo Projects ($5.3 million);
- Child Care SUNY ($947,000);
- Displaced Homemakers ($1.6 million);
- Disability Assistance Program ($483,000);
- Educational Resources ($125,000);
- Emergency Homeless ($125,000);
- Green Jobs Corps Program ($2 million);
- Health Care Jobs Program ($2 million);
- Homeless Prevention ($1.1 million);
- Non-residential Domestic Violence ($1.4 million);

- Nurse Family Partnership ($2 million);
- Preventive Services ($6 million);
- Refugee Resettlement ($500,000);
- Rochester-Genesee Regional Transportation Authority ($403,000)
- Settlement Houses ($1 million);
- Summer Youth Employment ($15.5 million);
- Supplemental Homelessness Intervention Program ($1 million);
- Supportive Housing for Families and Young Adults ($2.5 million);
- Transitional Jobs ($5 million); and
- Wheels for Work ($409,000).

Funding for Child Care Subsidies ($393 million) and the Flexible Fund for Family Services ($960 million) would remain consistent under the Executive proposal with last year's levels. Additional language was added to the flexible fund that would allow districts to use up to $10 million for the consolidation, merging or sharing of services with other local districts.

**<u>Specialized Services Program</u>**

<u>Reduce Reimbursement to New York City for the Adult Homeless Shelter System:</u>

The Executive Budget proposes to reduce the State reimbursement to NYC for the adult homeless shelter system by $15.7 million, from $84.7 million to $69 million. NYC would be required to continue financing the expenses associated with the shelter system therefore, this reduction would result in a direct cost shift to the City.

<u>Housing Assistance Programs:</u>

The Executive Budget proposes to combine the following housing assistance programs listed in the chart below into one lump-sum appropriation totaling $25.9 million.

**Housing Assistance Appropriation**

| Program | 2010-11 | 2011-12 |
|---|---|---|
| Single Room Occupancy | $17,664,300 | Information not available |
| Homeless Intervention Program | $3,675,400 | |
| Homeless Prevention Program | $4,500,000 | |
| Operation Support for AIDS Housing | $982,800 | |
| **Total** | **$26,822,500** | **$25,865,000** |

Although the total amount of funding for these programs would be reduced by $1 million or 3.6 percent, OTDA would now have total discretion in deciding how to utilize funds.

<u>NY/NY III:</u>

The SFY 2010-11 Enacted Budget included $625,000 to fund the first phase of operating costs for 25 new New York/New York III (NY/NY III) family housing units. No new units have actually been phased-in therefore, the Executive Budget eliminates the NY/NY III reappropriation from SFY 2010-11 and increases funding to $1.8 million to support the phase-in of 50 new units in SFY 2011-12.

**<u>Ten Percent State Operations Reduction</u>**

The SFY 2011-12 Executive Budget proposes a ten percent across-the-board reduction in State Operations to all agencies. This action would result in savings totaling $6.3 million within OTDA.

***<u>Office of Children and Family Services (OCFS)</u>***

The SFY 2011-12 Executive Budget provides $3.7 billion in All Funds appropriation support, a decrease of $167 million, or 4.3 percent. This net change reflects General Fund spending reductions in several program areas detailed below.

**<u>Juvenile Justice Reform</u>**

The SFY 2011-12 Executive Budget proposes Article VII legislation which would reform the

State's juvenile justice system to address system-wide vacancy rates and excessive costs to the State and localities. The net cost of enacting the components listed below would total $2 million in SFY 2011-12, and would increase to $3 million SFY 2012-13.

<u>Reduce Youth Facility Capacity by Eliminating the 12-Month Notification Requirement:</u>
The SFY 2011-12 Executive Budget proposes to reduce total capacity by 376 beds, from 1,209 beds to 833, through the closures and/or downsizings of unidentified State-operated residential facilities. OCFS would be responsible for determining which facilities to target. This action would reduce vacancy rates from 50 percent to approximately 25 percent and would also eliminate 371 Full Time Equivalent positions (FTEs). In order to achieve $21.8 million in SFY 2011-12 savings, the proposal would repeal the one-year closure notification requirement for youth facilities.

<u>Restructure State Funding for Local Secure and Non-Secure Detention:</u>
The Executive Budget would eliminate the current open-ended 49 percent State reimbursement for local secure and non-secure detention effective June 30, 2011. Beginning July 1, 2011 a new $15 million Capped Detention Program would reimburse localities for 50 percent of local detention costs for high-risk youth for the remainder of the year. Further, the proposal would eliminate Person In Need of Supervision (PINS) placements in local detention. The net savings associated with this proposal would be $23 million in SFY 2011-12 and when fully annualized in SFY 2012-13 would increase to $51 million.

<u>Create a Performance- Based Supervision and Treatment Services for Juveniles Program:</u>
The Executive Budget creates a Supervision and Treatment Services for Juveniles Program. The program's stated intent is to divert youth at risk of, alleged to be, or adjudicated as juvenile delinquents from being placed in detention or residential care. The $29 million program would take effect July 1, 2011 and would be fully annualized at $46 million in SFY 2012-13.

The Supervision and Treatment Services program would replace existing funding for alternative to detention, alternative to residential placement, and aftercare programs, and would provide localities with a capped reimbursement for up to 62 percent of expenditures associated with eligible community-based programs as determined by OCFS .

<u>Enhance Youth Facility Services:</u>
The Executive Budget includes an additional $13.5 million within the Youth Facility Program to improve staff-to-youth ratios in the areas of mental health, counseling, education, and direct care. This funding is intended to expand staffing ratio increases made at select facilities in SFY 2010-11 to the remaining facilities statewide.

In addition to several juvenile justice reforms the Executive Budget includes an additional $12.3 million to provide the State share of funding for Detention reconciliation payments of prior calendar years.

**Child Care**
The SFY 2011-12 Executive Budget recommends $914.8 million for the Child Care Block Grant (CCBG). In addition, the proposed Flexible Fund for Family Services program appropriated in OTDA would allow local districts to determine the appropriate amount of TANF funds to transfer into the CCBG to support child care in their respective localities.

| Child Care Block Grant (thousands of dollars) | | |
|---|---|---|
| **Category** | **2010-11** | **2011-12** |
| Child Care Development Block Grant | 310.4 | 308.8 |
| Child Care Quality | 0.3 | 0.3 |
| Migrant Workers | 1.8 | 1.8 |
| TANF line outs: | | |
| Child Care Subsidies | 393 | 393 |
| Child Care SUNY | 1 | 0 |
| Child Care CUNY | 0.7 | 0 |
| TANF Flexible Fund | 3.8 | TBA |
| State Funding | 137.4 | 137.4 |
| Local Maintenance of Effort | 68.3 | 68.3 |
| Child Care Unions | 3.2 | 5.2 |
| **Total:** | **$919.9** | **$914.8** |

**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 $612.6 million in General Fund support for child welfare services, a decrease of $56.9 million from the current fiscal year. The funding reduction would be associated with the following proposals offset by projected new claims:

Utilize Federal Title XX funds to offset child welfare expenditures: Currently, local social services districts are allocated $102 million in Federal Title XX funds and are required to utilize $66 million for the Adult Protective and Domestic Violence Services program. The remaining $36 million can be used by local districts on 22 discretionary Title XX programs, such as senior services and child care. The SFY 2011-12 Executive Budget would require that the $36 million be used to offset State and local child welfare spending to achieve $22.4 million in State savings and $13.6 million in local savings. This proposal would result in a $22.4 million cost-shift to local districts if they maintained current spending on the discretionary Title XX programs.

•Improve Data Exchange between OCFS and Districts and Other Savings: Cost reductions totaling $53 million are assumed within the Executive Budget from improved data exchanges between OCFS and local districts outside of NYC and from the reconciliation of actual costs from prior years.

Reduce State Share for Adoption Subsidies:

The Executive Budget includes $184.6 million for adoption subsidies, a decrease of $25.5 million from the current year. The spending reduction would be a result of the proposal to reduce the State share of adoption subsidies from 73.5 percent to 62 percent, offset by projected caseload increases. Total State savings would be $34 million in SFY 2011-12.

Eliminate State Reimbursement for Committee on Special Education (CSE) Maintenance Costs:

The Executive Budget proposes Article VII Legislation that would eliminate the State's reimbursement for the room and board costs associated with CSE children placed in residential schools and shifts its share to school districts. Currently, the maintenance costs are split between the State (36.8 percent), local social services districts (43.2 percent), and school districts (20 percent). This proposal would increase the school districts' share to 56.8 percent and would create State savings totaling $69.3 million. The local district share would remain the same. This proposal would shift $69.3 million in State costs to school districts.

Foster Care Block Grant (FCBG) and Subsidized Kinship Guardianship Assistance:

The Executive Budget recommends $436 million for the Foster Care Block Grant, consistent with current year levels, to provide State reimbursement for foster care costs. In SFY 2010-11 the Subsidized Kinship Guardianship Assistance Program (KinGap) was established and was proposed to be funded within the FCBG. The Legislature rejected the proposed funding mechanism, as it would have created a cost shift to localities and no final funding source was subsequently identified. The KinGap program becomes effective April 1, 2011, however the SFY 2011-12 Executive Budget does not propose a funding stream for the program. According to the Division of Budget, a determination on funding will be a part of budget negotiations.

Establish a Primary Prevention Incentive Program (PPIP):
The Executive Budget eliminates funding for various contract programs and advances Article VII legislation to create the PPIP program. The contract program eliminations and their respective funding levels from SFY 2010-11 are detailed in the chart below:

**PRIMARY PREVENTION INCENTIVE PROGRAM**

| Program | 2010-11 | 2011-12 |
|---|---|---|
| Healthy Families NY Home Visiting Program | $23,288,200 | Distributed to Local Districts on a competitive basis. |
| Hoyt Trust Fund | $1,243,700 | |
| Kinship Contract program | $677,500 | |
| Community Optional Preventive Services | $24,249,500 | |
| Youth Development and Delinquency Prevention | $21,245,350 | |
| Special Delinquency Prevention Program | $6,998,050 | |
| Runaway Homeless Youth Act | $4,711,600 | |
| Caseworker Caseload Ratio Funding | $1,514,400 | |
| Settlement Houses | $900,000 | |
| Post placement | $623,400 | |
| **Total Funding:** | **$85,451,700** | **$35,420,000** |

According to the Executive the PPIP program would be allocated to local districts on a competitive basis to support evidence-based programs to prevent foster care placements, delinquency, and child abuse, and to promote positive youth development. The $35.4 million program would be effective on July 1, 2011, and would be funded by 50 percent of the savings associated with the discrete program eliminations. Funding would increase to $42 million in SFY 2012-13 when fully annualized.

## Other Budget Actions

Increase State Central Registry (SCR) Fees From Five to Sixty dollars:
The Executive Budget includes Article VII Legislation that would increase the fee charged for a background check of the SCR from $5 to $60. Further, the proposal would remove the exemption for those who are obtaining a clearance check for employment purposes. The SCR fee modifications are projected to generate approximately $12 million in revenue in SFY 2011-12.

Eliminate the Human Services Cost of Living Increase (COLA):
The Executive Budget includes Article VII legislation that would eliminate the 1.2 percent Human Services COLA driven by the Consumer Price Index-based methodology which would otherwise occur on April 1, 2011. The following programs would be impacted: Adoption Subsidies, Foster Care Block Grant, Bridges to Health, Office of Mental Health Community Based Waiver, and NY/NY III. Savings associated with the legislation would total $13.0 million in SFY 2011-12.

Eliminate Safe Harbour Funding:
The Executive Budget proposes eliminating $3 million in funding for a proposed long-term safe house for sexually exploited youth.

Ten Percent State Operations Reduction:
The SFY 2011-12 Executive Budget proposes a ten percent across-the-board reduction in State Operations to all agencies. This action would result in net savings totaling $3.9 million within OCFS.

## ***Department of Labor (DOL)***

The SFY 2011-12 Executive Budget recommends an All Funds spending amount of $9.2 billion, a decrease of $1.6 billion or 14.9 percent. Of this amount, $8.4 billion constitutes the Unemployment Insurance Benefit Program administered by the DOL through an Enterprise Fund.

The Executive Budget recommends a DOL workforce increase of 28 full time equivalents (FTE). This represents an Executive effort to incorporate contractual employees into the State workforce. These employees are federally funded, the Executive estimates a net savings of approximately $1.5 million that would be allocated toward other administrative activities related to the Unemployment Insurance Fund.

The Executive Budget realizes savings of $4.6 million from the repeal of various Legislative initiatives that were previously reappropriated.

**Unemployment Insurance (UI)**

The Executive Budget appropriates $150 million to the Unemployment Interest Assessment Fund to pay interest on money borrowed from the Federal government to fund UI benefit obligations. Usually UI tax receipts are sufficient to repay the Federal Loan each year. However, in recent years the State UI Fund has not had sufficient reserves to meet this obligation, there is a current deficit of approximately $3.2 billion.

For the previous two years, interest payments were waived by the Federal government pursuant to the American Recovery and Reinvestment Act (ARRA). However, as of December 31, 2010, the ARRA waiver expired and the assessment of interest charges on the UI Fund deficit have resumed.

Although States pay interest when they run a UI deficit, the Federal government has a mechanism in place to automatically recover the principal. When a State runs a UI deficit for two consecutive years, the Federal government will reduce the Federal Unemployment Tax (FUTA) credit allotted to businesses that pay their unemployment tax on time. Businesses eligible for the FUTA credit pay an effective Federal unemployment tax of .8 percent (which is approximately $68 per employee per year) as opposed to the full amount of 6.2 percent.

In calendar year 2012, the Federal government will reduce the FUTA tax credit and thereby increase the effective rate paid by businesses from .08 percent to 1.1 percent (approximately $90 per employee per year). If the deficit is not paid off, the credit will be reduced further and the effective rate paid by businesses in good standing will increase to 1.4 percent. This is in addition to the New York State UI tax (SUTA). When the principal is recovered, it is anticipated that the FUTA credit will be reinstated and the effective tax rate paid to the Federal government on unemployment insurance would go back down to .8 percent.

## ***State Office for the Aging (SOFA)***

The Executive proposes to eliminate a number of legislative initiatives and use a portion of the savings to create a new local competitive performance grant program for aging programs, resulting in net savings of $2.17 million in SFY 2011-12. The grant program would distribute $800,000 in funds for SFY 2011-12.

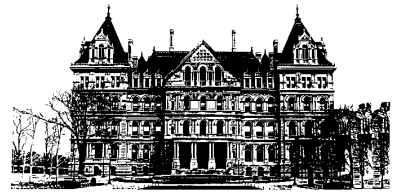
The Executive also proposes to eliminate the NY-Connects program, which provides seniors with information regarding available services ($1 million).

## **Legislation Proposed to Implement Budget**
**(See Section Three of this Report)**

## Human Services
## Proposed Disbursements - All Funds
**(Thousands of Dollars)**

| Agency | Estimated 2010-11 | Proposed 2011-12 | Change Amount | Change Percent |
|---|---|---|---|---|
| Children and Family Services | 3,203,227 | 3,054,792 | (148,435) | -4.6% |
| Temporary and Disability Assist. | 5,247,194 | 5,249,750 | 2,556 | 0.0% |
| Welfare Inspector General | 1,432 | 1,420 | (12) | -0.8% |
| Department of Labor | 797,210 | 732,286 | (64,924) | -8.1% |
| Workers' Compensation Board | 197,512 | 208,755 | 11,243 | 5.7% |
| Office for the Aging | 226,863 | 214,992 | (11,871) | -5.2% |
| Division of Veterans' Affairs | 17,000 | 16,167 | (833) | -4.9% |
| Division of Human Rights | 19,339 | 18,567 | (772) | -4.0% |
| **Totals:** | **9,709,777** | **9,496,729** | **(213,048)** | **-2.2%** |

# General Government and Local Assistance Fact Sheet



**Overview**

- General Government includes 22 agencies in addition to General State Charges and Local Government Assistance.
- The SFY 2011-12 Executive Budget recommends **All Funds cash disbursements of $6.4 billion** for General Government agencies, General State Charges and Local Government Assistance. This represents an increase of $193 million or 3 percent over the SFY 2010-11 levels. Most of this increase in spending is a result of statutorily required increases in pension, healthcare and other fringe benefits.
- Under the Executive proposal agencies State Operations General Fund appropriations and spending were reduced by 10 percent. This 10 percent is to be achieved through workforce concessions and other saving initiatives. Specific details for these savings are not included in the Executive Budget.

**Consolidation and Elimination of Agencies**

- The proposed elimination of the Office of Regulatory Reform for a savings of $1.6 million.
- A proposal for a new Department of Financial Regulation which consolidates the Banking and Insurance Departments, along with some regulatory functions of the Consumer Protection Board. The consolidation would increase costs for SFY 2011-12 by $9.2 million, to $557 million or 1.7 percent over SFY 2010-11; there are no long term savings recognized from consolidating the three regulatory entities.

**Executive Program Reductions**

- The Aid and Incentives for Municipalities (AIM) program would be reduced by two percent from the SFY 2010-11 level of funding. The total level of funding would be reduced by $14.6 million from $729.3 million to $714.7 million.
- The permanent elimination of the $301.7 million New York City AIM funding. Last year the funding was cut but was scheduled under present law to be restored in SFY 2011-12.
- Elimination of the $2.75 million Brownfield Opportunity Program and $1.2 million Tug Hill Commission which serves Upstate rural communities.

**New Programs**

- Two new local assistance programs with appropriations of $75 million are created to facilitate consolidation and mergers of municipalities.

# GENERAL GOVERNMENT AND LOCAL GOVERNMENT ASSISTANCE

| All Funds Disbursements (Millions of Dollars) | | |
|---|---|---|
| | Estimated | Projected |
| | SFY 10-11 | SFY 11-12 |
| Cash | 6,180 | 6,373 |
| Annual Growth Rate | | 3.1% |

Under current law, General Government includes 22 agencies providing a diverse array of services to the people of New York State, in addition to General State Charges and Local Government Assistance. Under the Executive proposal, three of these agencies, the Department of Banking, the Department of Insurance and the Consumer Protection Board would be merged to form the Department of Financial Regulation. In addition, the Office of Regulatory Reform would be eliminated for a savings of $1.6 million.

The SFY 2011-12 Executive Budget recommends **All Funds cash disbursements of $6.4 billion** for General Government agencies, General State Charges and Local Government Assistance. This represents an increase of $193 million or 3 percent over the SFY 2010-11 levels.

Most of this increase in spending is a result of statutorily required increases in pension, healthcare and other fringe benefits. These increases are reflected in the $429 million increase in General State Charges and increases of $20 million in other agencies. These increases are offset by decreases of $255 million in the remaining agencies and Local Government Assistance. The chart at the end of this section provides the year-to-year spending adjustments for each agency.

Under the Executive proposal agencies State Operations General Fund appropriations and spending were reduced by 10 percent. This 10 percent was to be achieved through workforce concessions and other saving initiatives. **Specific details for these savings are not included in the Executive Budget.** If workforce concessions are not achieved there could be 9,800 layoffs according to the Executive. The number of layoffs that would occur in each individual agency if these workforce concessions are not achieved are also not provided in the Executive Budget. General Government agencies that do not receive General Fund support (that are supported through fines, fees and assessment revenues) would not be subject to this reduction. These agencies include the Division of Lottery, the Division of Alcoholic Beverage Control, the Racing and Wagering Board, the Department of Banking and the Department of Insurance.

General Government agencies that are subject to the 10 percent reduction in State Operation General Fund spending under the Executive proposal and do not have any significant spending adjustments from last year include: the Civil Service Department, the Division of the Budget, the Office of Employee Relations, the Executive Chamber, the Office of General Services, the Office of Lieutenant Governor, the Office of the Inspector General, the Commission on Public Integrity, the Division of Tax Appeals and the Public Employee Relations Board.

## Division of Alcoholic Beverage Control

The Executive recommends a Division of Alcoholic Beverage Control (ABC) cash disbursement level of $18.4 million for SFY 2011-12. This is an increase of $609,000 or 3.4 percent over the current SFY level of $17.8 million. Although ABC shows an appropriation cut of $5.5 million, the Division would see a spending increase as a result of using the prior year's allocation to support the improvement of ABC's licensing operation.

## Department of Audit and Control

The Executive Budget recommends an All Funds spending decrease of $8.3 million or 4.6 percent from the current year level of $178.9 million. This amount reflects General Fund State Operations reductions of $13.9 million or 10 percent; which is offset by $7.5 million in additional spending from the Abandoned Property Account and $2.4 million from Internal Services accounts, for a net reduction of $4.1 million.

## The State Board of Elections

The reduction of $45.9 million (45 percent) in the State Board of Elections is related to the Help America Vote Act (HAVA). Prior to the last election cycle Federal funding was drawn down in order to meet HAVA requirements. The Executive proposes eliminating the hard-copy newspaper notice requirement for constitutional amendments on the ballot and election results. These notices would have to be posted on applicable websites. This would save the State $70,000 and generate savings for counties.

## Department of Financial Regulation

The Executive creates a new regulatory agency called the Department of Financial Regulation. The Department of Financial Regulation consolidates the Banking and Insurance Departments, along with some regulatory functions of the Consumer Protection Board. The consolidation would increase costs for SFY 2011-12 by $9.2 million, to $557 million or 1.7 percent over SFY 2010-11; there are no long term savings recognized from consolidating the three regulatory entities. According to the Division of the Budget the increase in spending is related to the consolidation expenses.

The Department will have a Banking Division and an Insurance Division; and a very small consumer protection program paid for through its own Special Revenue Fund. The rest of the Department will be paid for via Industry Assessments; with the banking and insurance industries only paying assessments and suballocations for department programs that pertain to their industry. A description of the legislation associated with this merger can be found in the Article VII Legislation section (S.2812/4012 – Part A).

## Local Government Assistance

Traditional direct unrestricted aid programs are discussed in this section. In addition, reductions to various program areas such as education, health and human services negatively impact local governments as they administer or provide these services. Reductions for all the various program areas in the SFY 2011-12 Executive Budget would negatively impact municipalities and school districts by roughly $2 billion in the local fiscal year ending in 2012.

### *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. Under the Executive proposal, The AIM program would be reduced by two percent from the SFY 2010-11 level of funding. The total level of funding would be reduced by $14.6 million from $729.3 million to $714.7 million. The chart at the end of this section outlines the cuts for cities that are the major recipients of AIM.

Town and village AIM would be reduced by $1.4 million from the SFY 2010-11 level of $69 million to $67.6 million. AIM for cities outside of New York City would receive $13.2 million less in AIM funding from the SFY 2010-11 level of $660.3 million to $647 million. A chart of these reductions is at the end of this section.

In SFY 2010-11 the City of New York's $301.7 million AIM payment was eliminated for one year. Pursuant to current law, this funding would be restored in SFY 2011-12; however the Executive proposes making the elimination of New York City AIM funding permanent.

**Video Lottery Terminal (VLT) Impact Assistance** to the 15 eligible host municipalities would be eliminated for a total reduction of $6.2 million. The Executive proposes that the City of Yonkers would continue to receive $19.6 million in VLT Impact Assistance. The Executive believes the Yonker's funding should be held harmless as there is a requirement that the aid be used to support the school district. VLT funding for the other localities is currently unrestricted aid.

**Small Government Assistance** ($2.1 million) and **Miscellaneous Financial Assistance** ($3.9 million) are also eliminated under the Executive proposal. Small Government Assistance was created in 2004 to provide partial relief for localities affected by State forest property tax exemptions. Miscellaneous Financial Assistance was created in 2005 to provide assistance related to Indian land claims in Madison and Oneida Counties.

***Efficiency and Performance Grants***

The SFY 2011-12 Executive Budget creates two new programs at an appropriation level of $75 million. Disbursements are **not** anticipated for these programs this year.

- Citizen Empowerment Tax Credits and Reorganization Empowerment Grants ($35 million). The program would provide a bonus of equal to 15 percent of consolidated governments tax levy with 50 percent of such amount dedicated to direct property tax relief. There would also be grants of up to $100,000 for implementation costs associated with local government re-organization.

- Local Government Performance and Efficiency Program ($40 million). This program would award efficiency and performance achievement grants of up to $25 per capita capped at $5 million.

Because municipal consolidation is a lengthy process, local governments would probably not be able to access these funds for several years.

## Lottery

The Executive recommends a Division of Lottery cash disbursement level of $176.8 million for SFY 2011-12. This is an increase of $3.4 million or 2 percent over the current SFY level of $173.4 million. The Division plans to hire 50 Full Time Employees (FTEs) for its marketing sales program, bringing the Division's total FTEs to 369. The extra marketing sales representatives and support staff are expected to generate $100 million in additional revenue for education.

## Racing and Wagering Board

The Executive recommends a State Racing and Wagering Board cash disbursement level of

$24.2 million for SFY 2011-12. This is an increase of $452,000 or 1.9 percent over the current SFY level of $23.7 million. A significant share of this results from an increase in equine drug testing. The Racing and Wagering Board also proposes a 2.75 percent fee on purses to help fund a deficit in the Board's Regulation of Racing Account. In past years, the deficit was closed by borrowing money from the General Fund. The fee would raise $7.6 million in revenue.

**Department of State**

The Department of State spending would decrease by $72 million or 36 percent over the SFY 2010-11 level of $203.6 million. Reductions include:

- Termination of American Recovery and Reinvestment Act Community Service Block Grant Program ($44 million)
- Elimination of the Brownfield Opportunity Program ($2.75 million)
- Elimination of the Tug Hill Commission which serves Upstate rural communities ($1.2 million)
- Other savings include the 2010-11 Early Retirement Incentive Program, reductions in Federal Aid and the 10 percent State Operations General Fund reduction

In addition, there is an increase in the renewal term for appearance enhancement disciplines (e.g., barbers) from two to four years. This would generate an additional $2.25 million in SFY 2011-12 but would reduce funding in the out-years.

**Department of Taxation and Finance**

The Executive recommends a Department of Taxation and Finance cash disbursement level of $396.5 million for SFY 2011-12. This is a decrease of $61.1 million or 13.4 percent over the current SFY level of $457.6 million. The Majority of this reduction is in workforce savings carried over from the 2010-11 Early Retirement Program and an $11.6 million reduction in local aid for assessment training, re-assessment aid and rail infrastructure.

The proposed Tax Modernization Project is aimed at increasing both electronic filing and electronic communication with taxpayers and improving sales tax compliance, and is expected to save $25 million in the future fiscal years through administrative efficiencies. The project is also expected to generate $200 million in additional revenue to the State.

**Office for Technology**

The Executive Budget recommends a cash disbursement increase of approximately $3.2 million or 11.7 percent over the current year level of $27.6 million. The proposed increase primarily comes from capital construction costs associated with a new statewide consolidated data center as part of a public-private partnership. The $99.5 million Capital appropriation for the data center was enacted in 2006 and is re-appropriated as part of the SFY 2011-12 Executive Budget Proposal. The Executive has not determined the location for this project. In addition, in the current year, the Office for Technology planned to retrofit a leased facility in Poughkeepsie to serve as the State's disaster recovery needs center. This lease contract was denied by the State Comptroller. The SFY 2011-12 Executive Budget includes $6 million in funding in SFY 2011-12 for a disaster recovery center, but a location has yet to be determined.

# Executive SFY 2011-12 Local Assistance - AIM Impact

## (Proposed 2% City Reduction Amounts in Dollars)

| | After 2% Reduction | Amount of 2% Reduction |
|---|---|---|
| **Long Island** | | |
| Glen Cove | 2,837,667 | (57,911) |
| Long Beach | 3,152,704 | (64,341) |
| **Total** | **5,990,371** | **(122,252)** |
| **Hudson Valley** | | |
| Beacon | 1,537,478 | (31,377) |
| Kingston | 3,069,151 | (62,636) |
| Middletown | 2,705,826 | (55,221) |
| Mount Vernon | 7,155,691 | (146,035) |
| New Rochelle | 6,162,927 | (125,774) |
| Newburgh | 4,464,656 | (91,115) |
| Peekskill | 2,219,384 | (45,293) |
| Port Jervis | 1,406,263 | (28,699) |
| Poughkeepsie | 4,248,021 | (86,694) |
| Rye | 1,208,024 | (24,653) |
| White Plains | 5,463,256 | (111,495) |
| Yonkers | 108,215,479 | (2,208,479) |
| **Total** | **147,856,156** | **(3,017,471)** |
| **Capital Region / North Country** | | |
| Albany | 12,607,823 | (257,302) |
| Amsterdam | 2,866,670 | (58,503) |
| Cohoes | 2,742,886 | (55,977) |
| Glens Falls | 1,607,009 | (32,796) |
| Gloversville | 2,302,592 | (46,992) |
| Hudson | 1,456,991 | (29,734) |
| Johnstown | 1,388,910 | (28,345) |
| Mechanicville | 662,392 | (13,518) |
| Oneonta | 2,231,857 | (45,548) |
| Plattsburgh | 2,648,880 | (54,059) |
| Rensselaer | 1,137,317 | (23,211) |
| Saratoga Springs | 1,649,701 | (33,668) |
| Schenectady | 11,205,994 | (228,694) |
| Troy | 12,279,463 | (250,601) |
| Watervliet | 1,210,193 | (24,698) |
| **Total** | **57,998,678** | **(1,183,646)** |

| | After 2% Reduction | Amount of 2% Reduction |
|---|---|---|
| **Central New York** | | |
| Auburn | 4,982,093 | (101,675) |
| Binghamton | 9,249,457 | (188,764) |
| Cortland | 2,018,330 | (41,190) |
| Fulton | 1,626,822 | (33,200) |
| Ithaca | 2,610,398 | (53,273) |
| Little Falls | 866,034 | (17,674) |
| Norwich | 1,089,279 | (22,230) |
| Ogdensburg | 1,708,659 | (34,871) |
| Oneida | 1,700,877 | (34,712) |
| Oswego | 2,451,698 | (50,035) |
| Rome | 9,083,340 | (185,374) |
| Sherrill | 372,689 | (7,606) |
| Syracuse | 71,758,584 | (1,464,461) |
| Utica | 16,110,473 | (328,785) |
| Watertown | 4,703,208 | (95,984) |
| **Total** | **130,331,941** | **(2,659,834)** |
| **Rochester-Region** | | |
| Canandaigua | 1,119,304 | (22,843) |
| Corning | 1,499,556 | (30,603) |
| Elmira | 4,578,801 | (93,445) |
| Geneva | 1,942,613 | (39,645) |
| Hornell | 1,497,788 | (30,567) |
| Rochester | 88,234,464 | (1,800,703) |
| **Total** | **98,872,526** | **(2,017,806)** |
| **Western NY** | | |
| Batavia | 1,750,975 | (35,734) |
| Buffalo | 161,285,233 | (3,291,535) |
| Dunkirk | 1,575,527 | (32,154) |
| Jamestown | 4,572,280 | (93,312) |
| Lackawanna | 6,309,821 | (128,772) |
| Lockport | 2,650,525 | (54,092) |
| Niagara Falls | 17,794,424 | (363,151) |
| North Tonawanda | 4,335,111 | (88,472) |
| Olean | 2,239,826 | (45,711) |
| Salamanca | 928,131 | (18,941) |
| Tonawanda | 2,602,104 | (53,104) |
| **Total** | **206,043,957** | **(4,204,978)** |

*** New York City** **(301,658,495)**

* Elimination of New York City AIM: The SFY 2010-11 enacted budget eliminated AIM funding for 1 year only
The SFY 2011-12 Executive Budget proposes eliminating New York City's AIM funding permanently.

| General Government and Local Government Assistance<br>Proposed Disbursements - All Funds<br>(Thousands of Dollars) | | | | |
|---|---|---|---|---|
| Agency | Estimated 2010-11 | Proposed 2011-12 | Change Amount | Percent |
| Alcoholic Beverage Control | 17,774 | 18,383 | 609 | 3.4% |
| Audit and Control | 178,908 | 170,616 | -8,292 | -4.6% |
| Division of the Budget | 39,212 | 37,638 | -1,574 | -4.0% |
| Civil Service | 17,406 | 15,743 | -1,663 | -9.6% |
| State Board of Elections | 101,615 | 55,724 | -45,891 | -45.2% |
| Office of Employee Relations | 3,202 | 2,889 | -313 | -9.8% |
| Executive Chamber | 15,473 | 13,926 | -1,547 | -10.0% |
| Office of the Lt. Governor | 516 | 464 | -52 | -10.1% |
| Department of Financial Regulation (currently Banking, Insurance and Consumer Protection Board) | 548,229 | 557,424 | 9,195 | 1.7% |
| Office of General Services | 196,377 | 184,028 | -12,349 | -6.3% |
| General State Charges | 3,376,522 | 3,805,266 | 428,744 | 12.7% |
| Office of the Inspector General | 6,024 | 5,430 | -594 | -9.9% |
| Commission on Public Integrity | 4,054 | 3,649 | -405 | -10.0% |
| Local Government Assistance | 780,097 | 735,994 | -44,103 | -5.7% |
| Lottery | 173,408 | 176,790 | 3,382 | 2.0% |
| Public Empl. Relations Board | 4,208 | 3,845 | -363 | -8.6% |
| Racing and Wagering Board | 23,733 | 24,185 | 452 | 1.9% |
| Office of Regulatory Reform | 1,625 | 0 | -1,625 | -100.0% |
| Department of State | 203,585 | 131,366 | -72,219 | -35.5% |
| Taxation and Finance | 457,613 | 396,471 | -61,142 | -13.4% |
| Division of Tax Appeals | 3,053 | 2,514 | -539 | -17.7% |
| Office for Technology | 27,598 | 30,814 | 3,216 | 11.7% |
| Totals: | 6,180,232 | 6,373,159 | 192,927 | 3.1% |

## All Funds Receipts
**(Millions of Dollars)**

| | Projected 2010-11 | Proposed 2011-12 | Change | Percent Change |
|---|---|---|---|---|
| **Personal Income Tax** | 35,869 | 38,509 | 2,640 | 7.4% |
| **User Taxes and Fees** | | | | |
| Sales and Use | 11,513 | 11,950 | 437 | 3.8% |
| Cigarette and Tobacco | 1,621 | 1,786 | 165 | 10.2% |
| Motor Fuel Tax | 516 | 518 | 2 | 0.4% |
| Alcoholic Beverage | 228 | 233 | 5 | 2.2% |
| Highway Use tax | 129 | 140 | 11 | 8.5% |
| Auto Rental Tax | 95 | 102 | 7 | 7.4% |
| Taxicab Surcharge | 81 | 81 | - | 0.0% |
| **Total** | 14,183 | 14,810 | 627 | 4.4% |
| **Business Taxes** | | | | |
| Corporation Franchise | 3,270 | 3,636 | 366 | 11.2% |
| Corporation and Utilities | 836 | 892 | 56 | 6.7% |
| Insurance | 1,308 | 1,392 | 84 | 6.4% |
| Bank Tax | 1,184 | 1,342 | 158 | 13.3% |
| Petroleum Business | 1,075 | 1,116 | 41 | 3.8% |
| **Total** | 7,673 | 8,378 | 705 | 9.2% |
| **Other Taxes** | | | | |
| Estate and Gift | 1,081 | 1,015 | (66) | -6.1% |
| Real Estate Transfer | 566 | 620 | 54 | 9.5% |
| Pari-Mutuel | 17 | 14 | (3) | -17.6% |
| Other | 1 | 1 | - | 0.0% |
| **Total** | 1,665 | 1,650 | (15) | -0.9% |
| **Payroll Tax** | 1,372 | 1,437 | 65 | 4.7% |
| **Total Taxes** | **60,762** | **64,784** | **4,022** | **6.6%** |
| Miscellaneous Receipts | 23,736 | 23,816 | 80 | 0.3% |
| **Total Receipts** | **84,498** | **88,600** | **4,102** | **4.9%** |
| Federal Grants | 50,098 | 44,271 | (5,827) | -11.6% |
| **Total Receipts and Federal Grants** | **134,596** | **132,871** | **(1,725)** | **-1.3%** |

Source: New York State Division of the Budget.

## General Fund Receipts
**(Millions of Dollars)**

| | Projected 2010-11 | Proposed 2011-12 | Change | Percent Change |
|---|---|---|---|---|
| **Personal Income Tax** | | | | |
| Withholding | 30,776 | 31,802 | 1,026 | 3.3% |
| Estimated Payments | 9,751 | 10,925 | 1,174 | 12.0% |
| Final Returns | 1,967 | 2,190 | 223 | 11.3% |
| Other Payments | 1,091 | 1,104 | 13 | 1.2% |
| Gross Collections | 43,585 | 46,021 | 2,436 | 5.6% |
| STAR Special Revenue Fund | (3,300) | (3,293) | 7 | -0.2% |
| Refunds | (7,686) | (7,512) | 174 | -2.3% |
| Revenue Bond Tax Fund | (8,975) | (9,628) | (653) | 7.3% |
| **Net Collections** | 23,624 | 25,588 | 1,964 | 8.3% |
| **User Taxes and Fees** | | | | |
| Sales and Use | 8,063 | 8,406 | 343 | 4.3% |
| Cigarette/Tobacco | 484 | 514 | 30 | 6.2% |
| Alcoholic Beverage | 228 | 233 | 5 | 2.2% |
| **Total** | 8,775 | 9,153 | 378 | 4.3% |
| **Business Taxes** | | | | |
| Corporate Franchise | 2,848 | 3,157 | 309 | 10.8% |
| Corporate Utilities | 634 | 681 | 47 | 7.4% |
| Insurance | 1,191 | 1,266 | 75 | 6.3% |
| Bank | 991 | 1,147 | 156 | 15.7% |
| **Total** | 5,664 | 6,251 | 587 | 10.4% |
| **Other Taxes** | | | | |
| Estate and Gift | 1,081 | 1,015 | (66) | -6.1% |
| Pari-mutuel | 17 | 14 | (3) | -17.6% |
| Other | 1 | 1 | - | 0.0% |
| **Total** | 1,099 | 1,030 | (69) | -6.3% |
| **Total Tax Collections** | **39,162** | **42,022** | **2,860** | **7.3%** |
| **Miscellaneous Receipts** | 3,143 | 3,148 | 5 | 0.2% |
| **Total Receipts** | **42,305** | **45,170** | **2,865** | **6.8%** |

Source: New York State Division of the Budget.

| Summary of Statutory Tax and Fee Increases | | |
|---|---|---|
| SFY 2011-12 Executive Budget | | |
| (thousands of dollars) | | |
| | SFY 2010-11 | Full Annual Impact |
| General Fund Fee Increases Total | $0 | $0 |
| Special Revenue Fund Fee Increase Total | $21,772 | $22,672 |
| **Fee Increases Grand Total** | **$21,772** | **$22,672** |
| Tax Revenue Sources | $22,000 | $16,000 |
| **Sub-Total Tax and Fee Increases** | **$43,772** | **$38,672** |
| Enforcement and Other Revenue Sources | $414,000 | $423,000 |
| **Grand Total Revenue Increases** | **$457,772** | **$461,672** |
| Tax Credits Total | $0 | $0 |
| **Grand Total Revenue Increases after Tax Credits** | **$457,772** | **$461,672** |

| Tax Increases | | |
|---|---|---|
| SFY 2011-12 Executive Budget<br>(millions of dollars) | | |
| **Description** | **SFY 2011-12** | **SFY 2012-13** |
| Repeal Exemption for Large Cooperative Insurance Companies | $22,000 | $16,000 |
| **Tax Increase Total** | **$22,000** | **$16,000** |

| New or Expanded Tax Credits | | |
|---|---|---|
| SFY 2011-12 Executive Budget<br>(millions of dollars) | | |
| **Description** | **SFY 2011-12** | **SFY 2012-13** |
| Reform Excelsior Jobs Program | $0 | $0 |
| Expand the Low Income Housing Tax Credit Program | $0 | $0 |
| **Total Amount of Tax Credits** | **$0** | **$0** |

## Statutory Fee Increases

**SFY 2011-12 Executive Budget**

**(thousands of dollars)**

| Effective Date | Description | SFY 2011-12 | SFY 2012-13 |
|---|---|---|---|
| | **Special Revenue Fund Fee Increases** | | |
| | **Office of Child and Family Services** | | |
| 4/1/2011 | Establish fee for Statewide Central Registar Clearance Checks (Increase from $5 to $60) | $11,922 | $11,922 |
| | **Racing and Wagering Board** | | |
| 4/1/2011 | Racing Purse Surcharge (New - 2.75%) | $7,600 | $8,500 |
| | **Department of State** | | |
| 4/1/2011 | New Cosmetics/Appearance Enhancement Business License Fee (Increase from $10, $20, $30 to $20, $30, $40) | $2,250 | $2,250 |
| **Special Revenue Fund Fee Increase Total** | | **$21,772** | **$22,672** |

## Enforcement and Other Revenue Actions

| | | | |
|---|---|---|---|
| | Division of Lottery | | |
| 4/1/2011 | Free Play Allowance to All Tracks | $38,000 | $38,000 |
| 4/1/2011 | Increase the Number of 75 Percent Prize Payout Instant Games from Three to Five Per Year | $4,000 | $4,000 |
| 4/1/2011 | Eliminate Quick Draw Restrictions | $10,000 | $44,000 |
| 4/1/2011 | Increase Prize Payouts Percentages on Multi-Jurisdictional Games | $0 | $0 |
| 4/1/2011 | Increase Progressive VLT Jackpots | $2,000 | $3,000 |
| 4/1/2011 | Lottery Sales Efficiencies | $100,000 | $109,000 |
| | New York Power Authority | | |
| 4/1/2011 | Power for Jobs Extender | $0 | $0 |
| | Department of Taxation and Finance | | |
| 4/1/2011 | Lottery Offsets | $5,000 | $10,000 |
| 4/1/2011 | Tax Modernization Inititative and Electronic Filing Mandate Penalties | $200,000 | $200,000 |
| 4/1/2011 | Authorizes Participation in a National Compact to Collect Excess Lines Insurance Tax | $0 | $0 |
| 4/1/2011 | Make Tax Shelter Reporting Provisions Permanent | $0 | $0 |
| 4/1/2011 | Make Permanent Major Provisions of the Bank Tax | $0 | $0 |
| 4/1/2011 | Extend Gramm-Leach-Bliley Provision for 2 Years | $0 | $0 |
| 4/1/2011 | Extend Alternative Fuels Tax Exemption | $0 | $0 |
| 4/1/2011 | Extend Financial Services Investment Tax Credit for One Year | $0 | $0 |
| 4/1/2011 | Noncompliant Empire Zone De-certification | $0 | $0 |
| 4/1/2011 | Pari-Mutuel Lower Tax Rate Extender | $0 | $0 |
| 4/1/2011 | Modernize Certain Fuel Definitions | $0 | $0 |
| 4/1/2011 | Simplify Motor Vehicle Fee Distribution | $0 | $0 |
| | | | |
| | Office of State Comptroller | | |
| 4/1/2011 | Abandoned Property Collection Spin Up | $55,000 | $15,000 |
| **Enforcement and Other Revenue Action Totals** | | **$414,000** | **$423,000** |

# RECEIPTS, TAXES AND FEES

The SFY 2011-12 Executive Budget contains a number of tax revenue increases and revenue changes. The following is a list of those changes:

**Excelsior Jobs Program**
As part of the SFY 2010-11 Budget, the Empire Zones Program was replaced with the Excelsior Jobs Program. Under this program, four refundable tax credits were created for selected firms in targeted industries that create and maintain new jobs in New York.

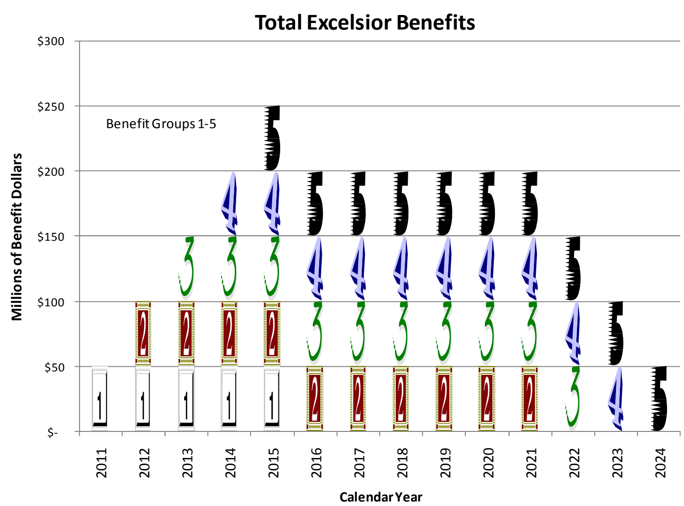
A business' initial application to the program requires a plan that the business will create a minimum number of new jobs, dependent on the specific industry. For example, a manufacturing business would be required to create at least ten jobs.

The fully refundable tax credits include Excelsior New Jobs Tax Credit, Excelsior Investment Tax Credit (ITC), Excelsior Real Property Tax Credit, and the Excelsior Research and Development (R&D) Tax Credit. An eligible firm is currently able to receive these tax benefits for a term of five years.

The Executive Budget proposes amendments to the program as follows:

- The tax benefit period would be extended from five years to ten years;
- The new jobs tax credit would be calculated as the product of gross wages and 6.85 percent as opposed to a percentage of salary and benefits;
- The real property tax credit would apply to real property taxes imposed subsequent to any capital improvements; and
- The R&D tax credit would be equal to fifty percent of the federal credit, increased from ten percent.

The program is capped at $50 million per year for new entrants into the program in each of 5 years of eligibility, for a total of $250 million in year five. With the extension of the program for an additional five years, the total amount of tax credits would be $500 million. In addition, since the extension of the tax benefits does not occur until 2016, the additional $250 million would not be used until years 2016 to 2026 and would not create any jobs until then. This would have no fiscal impact in SFY 2011-12.




The changes made by the Executive Budget do not address the weakness of the program. The program is still too inflexible and too exclusive. Each phase of the program is estimated to include approximately 40 companies. In addition, if a company performs and grows beyond plans and expectations the company gains no additional benefits from the program.

**Empire Zone Technical Corrections**
Under the Empire Zone Program, certified businesses were allowed certain tax benefits for

a period of ten years. However, the Empire Zone Program expired on June 30, 2010. Upon expiration of the program, those businesses who had not exhausted their tax benefits were authorized to retain those benefits for the full ten year period unless the business was subsequently decertified for not meeting its performance objectives.

Since there are still 7,500 businesses receiving tax benefits under the Program, DED is still required to monitor these businesses. The Executive Budget would clarify that if a business is decertified, the Tax Department would have the power to deny Empire Zone credits to those businesses

**Offset of Lottery Winnings**
Currently, the Tax Department is authorized to intercept a taxpayer's refund in order to pay outstanding tax liabilities, child support payments, education loans, or debts to state agencies. In addition, the Division of Lottery is authorized to intercept a lottery winner's awards for the payment of outstanding child support and the repayment of public assistance benefits. The Executive proposes the intercept of lottery prizes for the payment of outstanding tax liabilities. This proposal is estimated to increase revenues by $5 million in SFY 2011-12 and by $10 million, thereafter.

**Low-Income Housing Credit**
The Executive Budget would authorize an additional $4 million in **low-income housing** credits for ten years, allowing the Commissioner of Housing and Community Renewal to allocate a total of $32 million in these credits per year.

**Financial Services Investment Tax Credit**
The Executive proposes extending the financial services investment tax credit for four years, until October 1, 2015. The current credit is scheduled to sunset on October 1, 2011. The credit is extended for the corporation franchise tax, personal income tax, bank tax and insurance tax.

**Alternative Fuels Exemption**
The Executive proposes extending the sunset date of the exemption for alternative fuels from September 1, 2011 to September 1, 2012. This provision of law allows E85, compressed natural gas, and hydrogen a full exemption and B20 a partial exemption from the motor fuel tax, the petroleum business tax, the fuel use tax and state and local sales taxes. The definition for E85 is changed to match federal standards to allow the alternative fuels exemption for all seasonal mixes of E85. This part will lower receipts by $1.5 million in SFY 2011-12 and SFY 2012-13.

**1985 Bank Tax Extension**
The Executive proposes making permanent the major provisions of the 1985 and 1987 bank tax reforms and extending for two years the transitional provisions in New York's bank tax enacted in response to the Federal Gramm-Leach-Bliley Act. There is no fiscal impact recognized. This will preserve previous revenue currently in the Financial Plan.

**Cooperative Insurance Corporation Exemption Limit**
The Executive proposes limiting the exemption for town or county cooperative insurance companies that existed before 1937 on the insurance franchise tax. The exemption will now only apply to corporations that have direct written premiums of $25 million or less for the taxable year. This proposal is expected to generate $22 million for SFY 2011-12 and $16 million annually thereafter.

**Dodd-Frank Federal Conformity**
The Executive proposes conforming the Article 33-A insurance tax on independently procured insurers to the new rules in the Federal Dodd-Frank Wall Street Reform and Consumer Protection Act and the Non-admitted and Reinsurance Reform Act of 2010. The bill will also allow New York to participate in the Non-

admitted Insurance Multi-State Agreement (NIMA).

The new Federal law no longer allows any State to tax excess line premiums if the insured resides outside of the taxing state. This bill conforms New York State with this Dodd-Frank provision allowing New York State to participate in NIMA, which is a multi-state agreement that authorizes participation in a national clearinghouse for the purpose of collecting, allocating and disbursing taxes to participating states. This bill is necessary to preserve current excess line premium tax revenues of $72 million for SFY 2011-12.

**Multi-Jurisdictional Lottery Games**

The Executive proposes allowing the Division of Lottery to increase the prize payouts to above 50 percent on multi-jurisdictional lottery games if two-thirds of the participating states agree to prize payout levels above 50 percent. Currently, New York State only participates in the Mega millions and Powerball multi-jurisdictional lottery games. New York is the only state that has a prize payout limit. This will preserve previous revenue currently in the Financial Plan.

**Pari-mutuel Taxes and Simulcasting**

Extends lower **pari-mutuel** tax rates and rules governing simulcasting of out-of-state races for one year. This proposal has no SFY 2011-12 fiscal impact because the reduced rates are built into the base of the SFY 2011-12 financial plan.

**Quick Draw and Instant Games**

The Executive proposes legislation to eliminate the Quick Draw restrictions relating to food sales, hours of operation and the size of the facility. Additionally, the Executive proposes to expand from three games to five new games annually the number of instant scratch off games that may offer a 75 percent payout. These actions would increase revenue for education by $14 million for SFY 2011-12 and $48 million annually thereafter.

**Video Lottery Gaming (VLG) Free Play Allowance Program**

The Executive proposal would give the Division of Lottery the ability to authorize a free play allowance program for all nine video lottery gaming (VLG) facilities. The free play allowance program will allow VLG facilities to offer free play credits up to an amount equal to 10 percent of net machine income without having to include them in the calculation of net machine income (NMI) distributions.

The Division of Lottery would have to certify that each VLG facilities free play proposal would increase revenues for education before allowing the VLG facility to operate a free play program. The Division of Lottery and the Director of Budget may suspend the free play program of any VLG facility if they determine that the program is “not effective” in increasing the revenues in order to support education.

This proposal would increase revenues for education by $38 million for SFY 2011-12 and each year thereafter.

**Video Lottery Gaming (VLG) and Multi-Jurisdictional Progressive Pools**

The Executive proposal would allow the Division of Lottery to enter into VLG agreements with other states for the purpose of creating multi-state progressive jackpot games. Currently, VLG facilities within the state have worked together in administering progressive jackpots. This would increase revenues for education by $2 million for SFY 2011-12 and $3 million annually thereafter.

**Miscellaneous Receipts**

This bill would change from five to three years the amount of time it takes for a condemnation award, credit balances arising from loans, bank accounts, lost cash, money on deposits to secure funds, unredeemed gift certificates, court bail, certain trusts, escrow accounts and child or spousal support to be deemed abandoned property and collected by the state. This part also changes from six years to three years the amount of time a surplus from the sale of pledged property will become abandoned property. This bill will increase revenues by $55 million for SFY 2011-12 and $70 million in SFY 2012-13.

**Motor Vehicle Fees**
The Executive proposes streamlining the disposition of revenues from motor vehicle taxes and fees. Currently, some motor vehicle fees are counted as miscellaneous receipts and flow directly into the General Fund while motor vehicle taxes and other fees flow to the Dedicated Funds Pool. Any excess over $169.4 million then flows into the General Fund.

The proposed method would deposit all motor vehicle taxes and fees into the Dedicated Funds Pool with any excess above $169.4 million flowing to the General Fund. No motor vehicle fees will be reported as miscellaneous receipts.

This new method will not result in any General Fund or Dedicated Funds Pool receipt increase or decrease; the method will streamline the way the state accounts for Motor Vehicle Fee collections and disbursements.

**Tax Shelter Enforcement**
The Executive proposes making permanent the provisions of the tax law relating to tax shelter disclosure and penalties. First enacted in 2005, these provisions require the disclosure of information necessary to detect the use of tax shelters by taxpayers. This will preserve $5 million in revenue in SFY 2011-12.

**Modernization of Fuel Definitions**
The Executive proposes changing the definitions of fuels in the tax law to match the definitions in Federal law. This will change the current assignment of taxation from the fuel's level of "enhancement" to the federal basis of whether the fuel is dyed.

Changes at the federal level regarding the use of low sulfer diesel and the changes enacted by New York State in 2010 requiring all home heating fuel to be low sulfer fuel has created a situation in New York that could force hundreds of thousands of New York taxpayers to pay taxes up front on exempt fuel products. A homeowner that heats with oil could end up paying hundreds of dollars extra at the time of purchase and then have to apply for a refund from the state. This part will rectify that situation and will continue to allow up front exemptions for exempt products. This part does not change any tax rates.

Additionally, the definition for E85 is changed to match federal standards to allow the alternative fuels exemption for all seasonal mixes of E85.

**Tax Modernization**

**E-Filing Enforcement-** Currently, if a tax preparer uses tax preparation software to prepare his clients' tax documents, he is required to file those documents electronically if he prepares more than one hundred tax documents in a calendar year. The Executive proposes to require the electronic filing of all tax documents if the tax preparer utilizes tax preparation software for the preparation of any tax document. Similarly, a taxpayer who utilizes tax preparation software for the preparation of his own tax document would be required to file such tax document electronically.

The penalties for failure to electronically file by a tax preparer would be increased from $50 for each failure to electronically file to $500 for the first failure and $1,000 for each subsequent failure. Individual taxpayer's would be subject to a $50 penalty for each failure to file electronically.

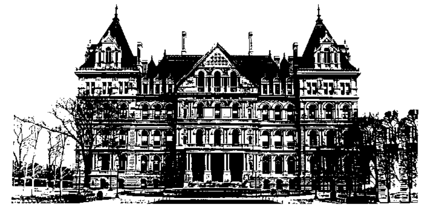
This proposal would increase tax revenues by $157 million and provide $25 million is administrative savings to the Tax Department.

**Electronic Real Property Tax Administration –** The Executive proposes a modernization of the administration and transactions of real property taxes by allowing local taxing jurisdictions to send and receive all property tax notices, applications, petitions and payments electronically.  Taxpayers will still be able to choose to receive paper communications if they affirmatively choose.

The Department of Taxation and Finance will also require localities to maintain assessment inventories electronically and will require that March 1 of each year be the taxable status date for all taxing jurisdictions.

**Abandoned Property of Debit Cards for Tax Refunds** – The Department of Taxation and Finance is considering issuing debit cards for tax refunds instead of checks.  This part amends the abandoned property law to clarify that these cards follow the same rules for abandonment as State checks.

**Sales Tax Compliance** – This proposal would allow the Department of Taxation and Finance to require the use of a certified sales tax transaction system for any sales tax vendor, who files quarterly or monthly, that files their taxes incorrectly or does not pay their full liability.  The vendor would be required to input all transactions into the system and the system would calculate the proper amount of sales tax for the immediate transaction and tally the total amount of sales tax the vendor should be remitting to the State each period. The amendment would also allow the Department to require quarterly filers to file monthly if the Commissioner deems it necessary to collect the necessary amount of sales tax from the vendor.  The system has not been yet been chosen and it is not clear who will have to pay for the system.



# SECTION TWO

## SENATE ISSUES IN FOCUS

# REGIONAL ECONOMIC DEVELOPMENT COUNCILS AND EXCELSIOR JOBS AMENDMENTS

As a way to amend the process by which the State delivers its economic development funding, the Executive is proposing the creation of ten regional economic development councils throughout the State. However, the allocation of economic development funding would ultimately be vested in one individual.

These regional economic development councils would not be established in law; instead, they would be established by executive order. As of the publication of this report, the executive order had not been issued nor was a draft available for review. The Executive order is not anticipated to be completed for three more weeks. However, according to the Governor's State of the State address, the regional councils would be comprised of representatives of the private sector, local governments, state government, and higher education institutions. The councils would then be lead by the Lieutenant Governor.

These councils would be considered "one stop shopping" for New York's businesses in obtaining assistance from the various programs offered by all of the State's agencies and authorities. For example, a business would approach a regional council in order to obtain an allocation of tax credits from the Excelsior Jobs Program, an energy efficiency grant from the New York State Energy Research and Development Authority (NYSERDA), and an Economic Development Fund grant from the Empire State Development Corporation.

In order to receive any funding, a business or locality would be required to submit an economic development plan to the regional councils and the project associated with such plan. The regional council would then give authorization for the funding of the project.

Although no official documentation language is available, **the Lieutenant Governor would have the final say as to whether the project would be funded**. As a result, it appears that the Lieutenant Governor will have total discretion over the funding of economic development projects in the State.

***Funding***

The Executive Budget proposes to re-program $340 million in bond proceeds from various economic development capital resources. The capital resources would be allocated as follows:

- $130 million for economic development projects approved by the regional councils;
- $100 million for the Economic Transformation Program which would be administered by the regional councils and would provide funding for communities impacted by prison and youth facility closures;
- $100 million for the Metropolitan Transportation Authority capital program; and
- $10 million for the New York City Empowerment Zone.

The economic development capital resources that would be re-programmed to provide this funding are: the Community Enhancement Facilities Assistance Program (CEFAP), the Strategic Investment Program (SIP), the New York State Economic Development Assistance

Program, the New York State Capital Assistance Program, the Economic Development Program, the Regional Economic Development Program, the New York State Technology and Development Program, the RESTORE NY program, the Community Capital Assistance Program (CCAP), Multi-Modal, the Arts and Cultural Program, Economic and Community Development Program, Upstate City by City, Regional Blueprint Fund, and Agri-Business Program.

These programs were previously administered jointly by the Executive and the Legislature. The amount of funding to be re-programmed from these programs is based on remaining balances that are uncommitted. However, the Executive considers committed funding to be those projects that are currently in the ten day approval process (approval required by both the Executive and the Legislature). Those projects that may currently be in the pipeline but have not gone to the ten day process could be in jeopardy.

Along with the capital funding, $70 million of the allocation for the Excelsior Jobs Program would be set aside for use by the regional councils. In addition, since all economic development assistance would be subject to the regional councils, the total amount of State funding would be much greater.

**Excelsior Jobs Program**

As part of the SFY 2010-11 Budget, the Empire Zones Program was replaced with the Excelsior Jobs Program. Under this program, four refundable tax credits were created for selected firms in targeted industries that create and maintain a specified number of new jobs in New York. The number of new jobs is dependent upon the industry in which the business operates. For example, a manufacturing business would be required to create at least ten jobs.

The refundable tax credits include Excelsior New Jobs Tax Credit, Excelsior Investment Tax Credit (ITC), Excelsior Real Property Tax Credit, and the Excelsior Research and Development (R&D) Tax Credit. An eligible firm is able to receive these tax benefits for a term of five years.

The program is administered by ESDC and the Department of Taxation and Finance. The program is capped at $50 million per year for new entrants into the program in each of 5 years of eligibility, for a total of $250 million in year five. The Executive proposes to amend the program to increase the eligibility period from five years to ten years, a total of $500 million in tax credits. **This does not increase the amount available for job growth in years one through five but, merely extends the credits from five to ten years.**

To date, 36 businesses have applied for this program with ESDC. ESDC has made offers to 25 of these companies with tax credits totaling $145 million over the next five years. Although the Executive's proposal increases the eligibility for the tax credits to ten years, the businesses that have currently applied for the first cohort would only be eligible for five years as in current law.

In addition, as stated above, $70 million of the tax credit cap would be allocated to the regional economic development councils. With the proposed extension of the program from five to ten years, this translates into $7 million of the allocated credit per year.

***Excelsior New Jobs Tax Credit***

Under the program, the New Jobs Tax Credit, which was enacted last year, is equal to a percentage of the salary and benefits of the new job created, capped at $5,000. The Executive proposes to amend the calculation of the tax credit to the product of the gross wages of the new job created and 6.85 percent, the maximum personal income tax rate. For example, a business that creates a job with a wage of $50,000 would receive a tax credit of $3,425.

***Excelsior Research and Development Tax Credit***

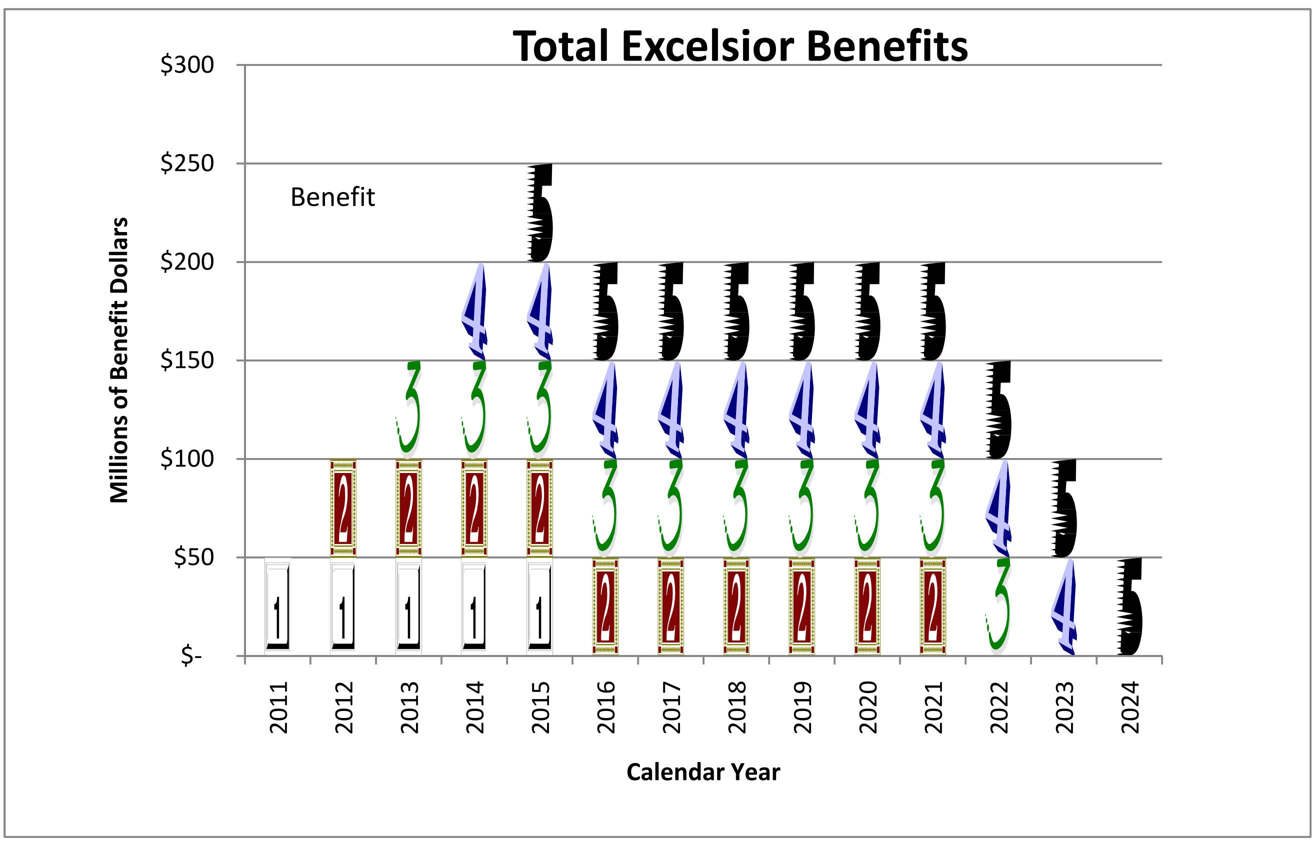
The Excelsior R&D credit is currently equal to ten percent of the federal research and development tax credit. The Executive proposes to increase this credit to fifty percent of the federal credit, capped at three percent of qualified R&D expenditures. In addition, the business would be allowed to utilize its R&D expenditures to qualify for other tax credits, such as the Investment Tax Credit.

***Excelsior Real Property Tax Credit***

The Real Property Tax Credit is equal to fifty percent of real property taxes paid in the first year of eligibility and phased out over the five year eligibility period. With the proposed extension of the eligibility period from five years to ten years, the credit would be phased out over a ten year period as well.

When the Excelsior Jobs Program was first proposed, the Executive estimated that approximately **40 new companies would be approved in each year of the program.** Even though the eligibility period is extended, **the number of potential new businesses would not increase.**

Since the tax benefit period for each eligible cohort (benefit group) of firms is extended for five years, there would be five cohorts of firms whose benefit periods would begin in tax years 2011, 2012, 2013, 2014, and 2015. By the time the first benefit group is in its last (fifth) year, the fifth and last benefit group would be beginning its first year of program eligibility as depicted in the following chart:



# STATE SPENDING CAP

Imposing a constitutional cap on state spending is one of the most critical steps we can take to improve New York's overall business climate. A cap on spending will help break the never-ending cycle of tax and fee increases that stifle job creation and new economic investment.

On January 19, 2011, the Senate Republican Majority passed with bipartisan support a constitutional amendment to cap state spending, S.1892 (Ranzenhofer). The constitutional amendment will require passage by two separate elected Legislatures before being put on a ballot in November. The earliest it could be voted on is November 2013.

If this cap had been in place a decade ago, state spending would be nearly $26 billion less than current estimates for SFY 2011-12.

**Caps State Funds Spending**

This amendment to the constitution would limit state fiscal year spending to the preceding year's spending plus the lesser of 120% of the inflation rate or 2%. State funds includes all funds of the state which will constitute General Fund, Special Revenue Funds, Capital Funds and Debt Funds. State funds does not include any money the state gets from the Federal Government. The state spending cap for SFY 2011-12 would be 1.41 percent compared to the Executive Budget that estimates an increase in spending of 1.8 percent.

**Excess Revenues are Returned to the Taxpayer/Build Reserves**

This amendment also requires half of the revenues in excess of the state spending limitation be deposited into the tax stabilization reserve fund. The remainder of the revenues (50%) are to be returned to New York resident taxpayers in proportion to their personal income tax liability.

The Executive has proposed a partial cap on the growth in spending of Medicaid and Education. The Medicaid cap would limit growth to the ten year average of the medical component of the consumer price index (currently 4 percent). Total formula based school aid growth (excluding building aid and pre-K) will be limited based on a Gap Elimination Adjustment (GEA). The GEA will reduce school districts funding each year by a percentage by taking into account a school districts wealth, student need, administrative efficiency and property tax burden.

Over the last three decades, New York State spending has increased an average of 5.7 percent annually while the average annual inflation rate was approximately 3.0 percent. This state can no longer endure spending increases at double the rate of inflation. This amendment would force the state to live within the means of its taxbase. It would end the need to raise taxes to support unaffordable spending and force the state to establish spending priorities.

# SENATE REPUBLICAN MAJORITY 2011 JOB CREATION AND RETENTION PACKAGE

On January 19, 2011, the Senate Republican Majority passed the Job Creation and Retention package, S.1891 (Alesi), with bipartisan support. This plan will improve New York's economy, cut taxes, and help create thousands of new jobs across the State.

The package consists of three parts: a Job Creation Tax Credit, a Small Business Tax Freedom Plan and a stop to red tape.

## Job Creation Tax Credit

Businesses that create jobs will receive a refundable tax credit. The Credit will equal the amount of personal income tax withholding generated from each new employee that is hired by a New York business. The credit can be claimed for the first 3 years of employment up to $5,000 per year for every new job created. The business can earn an additional $3,000 credit for the first full year for hiring an unemployed person.

The Federal Government enacted a similar credit on March 18, 2010 called the "Hire" credit which expired on December 31, 2010. New York delegation members have proposed legislation to extend this credit until July 2011. If the "Hire" credit is extended in combination with the New York Job Creation Tax Credit, a New York company could get a maximum credit of $12,321 per new employee hired.

## Small Business Tax Freedom Plan

The Tax Freedom Plan is targeted at the State's small businesses to assist them in reducing their cost of doing business. These tax cuts will particularly benefit main street businesses, existing small manufacturers, small start-ups and high technology companies. New York State has 18,500 technology companies with an average of 16 employees. There are more than 427,000 small businesses in New York that employ more than 3.9 million people. The Small Business Tax Freedom plan has three parts:

1. **PIT Rollback:** Accelerate the phase-out of the 2009 personal income tax increase for small businesses by one year. This money can be used by small businesses to invest in their companies and create jobs. Since the surcharge is scheduled to expire at the end of 2011, this will be a limited one-time reduction for tax year 2011. ($400 million)
2. **Corporate Franchise Tax Elimination:** In the first year, the corporate franchise tax would be cut in half for businesses with 50 employees or less or not more than $2 million in net income. The tax would be completely eliminated for these businesses in year two. ($100 million)
3. **Tax and Fee Moratorium:** Enact a moratorium on any new taxes or fees on small businesses, manufacturers and farms.

## Red Tape Moratorium Plan

This plan would enact a moratorium on new business regulations and red tape from state agencies and require any new regulations to be approved by the Legislature. The plan would also establish a new commission to identify and make binding recommendations on eliminating the most costly and counter-productive regulations.

# PROPERTY TAX RELIEF 2011

**<u>I. Executive Program Bill #1 (S.2706 / A. 3982)</u>:**

On January 31, 2011 the Senate passed legislation capping property taxes at the lesser of two percent or the consumer price index. The tax cap legislation, Governor's Program Bill #1, includes the following provisions:

- Property Tax levy growth would be limited to the lesser of 2 percent or one plus the annual increase in the consumer price index

A property tax levy cap would shift the focus of school districts, local governments and voters from total spending, to the actual property taxes levied to support school district and local government expenses.

This bill would benefit local taxpayers by limiting the annual amount of real property taxes that school districts, counties, cities, towns, villages, special districts and fire districts can levy. Had the STAR rebate remained a priority and a tax cap been in place since 2008-09, property taxpayers would have saved nearly $3.5 billion. The 2 percent cap would have limited the increase in property taxes by over $456 million and the property tax rebate program would have put an additional $3 billion in taxpayers' pockets. [1]

**<u>School Districts Property Tax Cap</u>:**

This bill adds a new §1307 to the Real Property Tax Law to establish a real property tax levy cap for all school districts other than city school districts of cities with a population of 125,000 or more (the "Big 5" school districts). They are Buffalo, Rochester, Syracuse, Yonkers and NYC.

<u>The "Big 4" school districts are not included the school property tax levy cap because they are funded through city budgets.</u> The municipal property taxes in these jurisdictions are capped in the local governments section of this bill. *New York City is excluded from the school district cap and the local government cap.*

<u>Under the property tax levy cap</u>:

A school district's tax levy limit is capped at the lesser of 2 percent or the annual increase in the consumer price index ("CPI"). **The only exception for a tax levy above the 2 percent or CPI, are funds needed to support voter approved capital expenditures.**

- **Carryover:** A school district that does not levy an amount up to the cap in any one year would be allowed to carry over unused tax levy capacity into future years. However, this carryover levy capacity cannot be used to increase its tax levy by more than an additional 1.5% above the cap in any single year.

[1] New York State Education Department property Tax report Card 2004-05 through 2010-11.

- **Errors:** In the event a district's actual tax levy exceeds its authorized levy due to clerical or technical errors, the erroneous excess levy must be placed in reserve to offset the levy for the next school year.
- **Voter approval:** A school district would be required to submit a tax levy proposition for approval by voters at the district's annual meeting on the 3rd Tuesday in May. If the proposed tax levy is within the district's tax levy limit, then a majority vote would be required for approval.
- **Overriding the cap provision**: If the proposed tax levy exceeds the district's tax levy cap, the vote threshold required for approval would be 60 percent.
- **Two chances to get voter approval:** If the initial tax levy proposition is defeated, the district would be required to submit a second levy proposition for approval that complies with its tax levy base at a district meeting held on the 3rd Tuesday in June. If the proposed tax levy is within the district's tax levy cap, then a majority vote would be required for approval. If the proposed tax levy exceeds the district's tax levy limit, then the vote threshold required for approval would be 60 percent override provision.
- If the second proposition is defeated, the district would be required to adopt a tax levy that is less than or equal to the prior school year. There is no third vote and the contingency budget cap provisions are repealed.

This section would become effective for the 2012-13 school year.

**Local Governments:**

The property tax levy for local governments would be capped at the lesser of 2 percent or one plus the annual increase in the consumer price index ("CPI").

Local governments that do not levy an amount up to the cap in one year can rollover that amount, however, they may only use up to 1.5 percent of the accumulated levy the following year.

This bill allows local governments four exceptions to the levy limitations:

1) large judgments in excess of 10 percent of the prior year's levy,
2) levy increases resulting from municipal government consolidations,
3) voter approved capital expenditures, and
4) county costs for the Temporary Assistance for Needy Families (TANF) direct cash assistance and safety net assistance programs;

***Override provision****: If the proposed tax levy exceeds the municipality's tax levy cap, then the vote threshold required for approval would be two-thirds of the governing body. In the case of a special district or fire district passage of a resolution would be required to exceed the cap limit in any one year.*

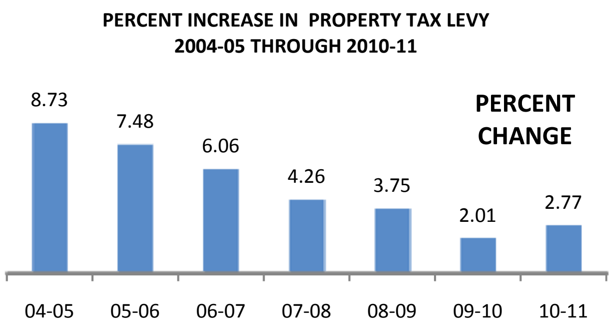
This section becomes effective for the 2012 fiscal year.

## II. Background:

When property taxes are measured as a percentage of home value, the top sixteen counties in the nation are all in New York State[2]. New York already has the second highest combined state and local taxes in the nation and the highest local taxes in America as a percentage of personal income — 79 percent above the national average[3].

[2] New York State Commission on Property Tax Relief December 2008.
[3] The Tax Foundation State and Local Tax burden 2010.

The median 2008 U.S. property tax bill paid is $1,917 but in New York the median bill is $3,755 which is 96 percent higher than the national average[4]. Looking at property tax *amounts*, several New York counties – Westchester, Nassau, and Rockland – were among the top ten counties nationally in terms of property taxes paid on owner-occupied residences in 2007. New York's highest personal income tax rate of 8.97 percent is higher than all but six other states. New York's combined State and local sales tax rate of 8.45 percent is higher than all but four other states[5].




While there are other approaches to capping growth in expenditures the Senate Republican Conference has supported a cap on the growth of tax levies at both the school district level and local governments consistent with the December 2008 recommendations of the New York State Commission on Property Tax Relief.

## III. Property Tax Caps and Alternatives:

The Commission on Property Tax Relief looked at property tax caps historically and found the first property tax caps were enacted in New York State in 1884 by constitutional amendment, restricting the property tax rate for county and city purposes to two percent of the assessed valuation of real and personal property, while also limiting debt.

In 1953, the Constitution was amended to set New York City's combined property tax rate for city and county purposes at 2.5 percent, and to allow voters to increase their school district's tax limit by one quarter of one percent annually[6]. Under a 1985 constitutional amendment, tax caps were eliminated for school districts within cities having fewer than 125,000 residents[7]. According to the Commission panel these caps are not relevant to most municipalities and have not been effective in constraining property tax growth.

### Four Types of Tax Caps In Other States

The Commission identified four broad types of tax caps that exist in other states: (1) assessment caps; (2) expenditure caps; (3) tax rate caps; and (4) tax levy caps. The Commission provided a description of all four but in its final report recommended a tax levy cap as the preferable alternative to limiting property tax growth[8].

As outlined in their December 2008 Final Report to the Governor, the Commission described the various cap approaches.

> **Assessment caps** limit the growth in the assessed value of a home, but not the tax rate applied to that assessment. Assessment caps are used in some states, but are ineffective in limiting tax growth unless they are also accompanied by rate caps. For example, Nassau County has a limit on the percentage change in assessed value of

[4] New York Office of the State Comptroller Financial Condition Report 2009.
[5] Ibid.

[6] New York State Commission on Property Tax Relief December 2008.
[7] Ibid.
[8] Ibid.

properties, but still has some of the highest property taxes in the nation.

**Expenditure caps** limit the total spending of a government unit, regardless of the source of funds. Applied to schools, an expenditure cap would limit total expense growth, even if funded by state or federal sources, and would not necessarily limit school property tax growth.

**Tax rate caps** limit property taxes to an established percentage of the property's assessed value. Currently, there is wide variation in tax rates for school districts in New York, ranging from a high of 3.9 percent of the market value of property to a low of 0.2 percent. This range makes a tax rate cap unworkable in New York, unless increased funding is provided by the State for the predominantly lower wealth districts that would be above the rate cap.

**Levy caps** limit the amount by which the total property tax can increase from year to year. This is the only tax cap that is effective in limiting the growth of total property taxes for a given municipality or school district

What Have Other States Done

States including Massachusetts, Illinois, California, New Jersey and Michigan have all enacted property tax caps. The most recent state property tax cap bill passed in New Jersey which now has a cap at two percent with four exceptions for school districts. "Proposition 2½" enacted in 1980 in Massachusetts, was a reaction to the fact the State was among the highest taxed in the nation. Proposition 2½ is both a levy cap and a rate cap. The property tax levy cannot increase by more than 2½ percent annually, plus additions to the tax roll from new construction. Amounts less than the levy limit may be reserved and used in a subsequent year. In addition to the levy cap, Proposition 2½ also imposed a rate cap maximum of 2½ percent, which required a number of municipalities to reduce their taxes in the first years of implementation, with offsetting state funding increases[9]. Massachusetts allows a public override vote, as well as a voter underride. The Massachusetts 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[10]. **According to the Commission since the enactment of Proposition 2½, Massachusetts dropped from 2nd nationally in 1980 to 23rd in 2008 on the measure of state and local tax burden[11].**

**The relative position of Massachusetts in national rankings of per pupil spending has not changed since the period before Proposition 2½ was enacted.** Massachusetts has consistently ranked between fifth and seventh among states in per pupil spending, with the most recent comparable year of 2006 showing Massachusetts spending per pupil at $12,656, ranking seventh highest among states[12]. The standard comparisons of pupil performance across states involve national tests in reading and mathematics given to fourth and eighth grade pupils. In 2007, in all four tests – 4th Grade Mathematics, 4th Grade Reading, 8th Grade Mathematics, 8th Grade Reading – Massachusetts ranked highest among all states[13].

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[9] New York State Commission on Property Tax Relief December 2008.

[10] Ibid.
[11] The Tax Foundation State and Local Tax burden 2010.
[12] Manhattan Institute for Policy Research May 2010.
[13] United States, Department of Education, National Center for Education Statistics. National Assessment of Educational Progress State Comparisons, 2008.

While other examples such as California show different outcomes under a tax cap structure the long term positive results of Proposition 2½ shows that it can work for all of the stakeholders.

**<u>IV. Other Property Tax Relief Legislation Passed by the Senate:</u>**

The Senate Republicans passed legislation to cap Property Taxes (S.8736) in the 2008 and 2010 (S.67005) during Extraordinary Session. Both measures would have capped property taxes related to school districts. Legislation passed in the Senate in 2010 would have also capped local property taxes for all municipal governments including towns, villages, cities and counties as well as special districts and fire districts. In addition, an omnibus mandate relief package was passed in 2008 (S.8737) intended to compliment the property tax cap legislation.

In addition legislation was passed increasing the size of Middle Class Star Rebate checks (S.6417, S.5742, S.1A) during the 2008 Legislative Session. The STAR rebate checks in conjunction with the original STAR program were part of a three pronged Republican Majority solution to the problem of property taxes growth in the State of New York. The three part comprehensive approach provides property tax and mandate relief while limiting growth in property taxes long term. At its height STAR and the STAR rebate checks $5 billion in property tax relief was provided.

In State Fiscal Year 2009 The Senate Democrats, Assembly Democrats and Governor Patterson agreed to eliminate the Middle class STAR rebate checks (S.57-b - 2009). The Republicans in the Senate voted against this bill. This Legislation eliminated over $1.5 billion in property tax relief statewide as well as $200 million in personal income tax relief to residents of the City of New York (see chart at the end of this discussion). In this same year school districts increased property taxes by $374 million or 2.01 percent. This approach has left the overburdened hardworking taxpayers in the State of New York with higher property tax bills.

## Property Tax Rebate Comparison of Executive and Senate

Average Rebate Savings by County

| | 2008 and 2009 CURRENT LAW BASIC STAR REBATES | | | | | | | | | 2008 ENHANCED STAR REBATES | | |
|---|---|---|---|---|---|---|---|---|---|---|---|---|
| | Upstate Up to $90,000 Income | | | Upstate $90,000-$150,000 Income | | | Upstate $150,000 + Income | | | Upstate | | |
| | Downstate Up to $120,000 | | | Downstate $120,001-$175,000 Income | | | Downstate $175,001 + Income | | | Downstate | | |
| | | Projected Statutory Check Amount Lost | | | Projected Statutory Check Amount Lost | | | Projected Statutory Check Amount Lost | | | Projected Statutory Check Amount Lost | |
| County | 2008 | 2009 | 2010 | 2008 | 2009 | 2010 | 2008 | 2009 | 2010 | 2008 | 2009 | 2010 |
| Albany | $ 373 | $ 435 | $ 497 | $ 279 | $ 326 | $ 372 | $ 186 | $ 217 | $ 248 | $ 410 | $ 410 | $ 410 |
| Allegany | $ 379 | $ 442 | $ 505 | $ 284 | $ 331 | $ 379 | $ 190 | $ 222 | $ 253 | $ 434 | $ 434 | $ 434 |
| Broome | $ 466 | $ 544 | $ 621 | $ 350 | $ 408 | $ 467 | $ 233 | $ 272 | $ 311 | $ 512 | $ 512 | $ 512 |
| Cattaraugus | $ 318 | $ 371 | $ 424 | $ 239 | $ 279 | $ 319 | $ 159 | $ 186 | $ 212 | $ 371 | $ 371 | $ 371 |
| Cayuga | $ 376 | $ 439 | $ 501 | $ 282 | $ 329 | $ 376 | $ 188 | $ 219 | $ 251 | $ 423 | $ 423 | $ 423 |
| Chautauqua | $ 368 | $ 429 | $ 491 | $ 276 | $ 322 | $ 368 | $ 184 | $ 215 | $ 245 | $ 413 | $ 413 | $ 413 |
| Chemung | $ 388 | $ 453 | $ 517 | $ 291 | $ 340 | $ 388 | $ 194 | $ 226 | $ 259 | $ 426 | $ 426 | $ 426 |
| Chenango | $ 383 | $ 447 | $ 511 | $ 287 | $ 335 | $ 383 | $ 191 | $ 223 | $ 255 | $ 427 | $ 427 | $ 427 |
| Clinton | $ 371 | $ 433 | $ 495 | $ 279 | $ 326 | $ 372 | $ 186 | $ 217 | $ 248 | $ 414 | $ 414 | $ 414 |
| Columbia | $ 323 | $ 377 | $ 431 | $ 242 | $ 282 | $ 323 | $ 161 | $ 188 | $ 215 | $ 347 | $ 347 | $ 347 |
| Cortland | $ 370 | $ 432 | $ 493 | $ 278 | $ 324 | $ 371 | $ 185 | $ 216 | $ 247 | $ 413 | $ 413 | $ 413 |
| **Dutchess** | **$ 424** | **$ 495** | $ 565 | **$ 318** | **$ 371** | $ 424 | **$ 212** | **$ 247** | $ 283 | **$ 462** | **$ 462** | **$ 462** |
| Delaware | $ 304 | $ 355 | $ 405 | $ 228 | $ 266 | $ 304 | $ 152 | $ 177 | $ 203 | $ 333 | $ 333 | $ 333 |
| Erie | $ 316 | $ 369 | $ 421 | $ 237 | $ 277 | $ 316 | $ 158 | $ 184 | $ 211 | $ 349 | $ 349 | $ 349 |
| Essex | $ 260 | $ 303 | $ 347 | $ 195 | $ 228 | $ 260 | $ 130 | $ 152 | $ 173 | $ 312 | $ 312 | $ 312 |
| Franklin | $ 302 | $ 352 | $ 403 | $ 226 | $ 264 | $ 301 | $ 151 | $ 176 | $ 201 | $ 356 | $ 356 | $ 356 |
| Fulton | $ 346 | $ 404 | $ 461 | $ 259 | $ 302 | $ 345 | $ 173 | $ 202 | $ 231 | $ 385 | $ 385 | $ 385 |
| Genesee | $ 450 | $ 525 | $ 600 | $ 338 | $ 394 | $ 451 | $ 225 | $ 263 | $ 300 | $ 491 | $ 491 | $ 491 |
| Greene | $ 345 | $ 403 | $ 460 | $ 259 | $ 302 | $ 345 | $ 173 | $ 202 | $ 231 | $ 364 | $ 364 | $ 364 |
| Hamilton | $ 152 | $ 177 | $ 203 | $ 114 | $ 133 | $ 152 | $ 76 | $ 89 | $ 101 | $ 179 | $ 179 | $ 179 |
| Herkimer | $ 363 | $ 424 | $ 484 | $ 272 | $ 317 | $ 363 | $ 182 | $ 212 | $ 243 | $ 409 | $ 409 | $ 409 |
| Jefferson | $ 242 | $ 282 | $ 323 | $ 182 | $ 212 | $ 243 | $ 121 | $ 141 | $ 161 | $ 280 | $ 280 | $ 280 |
| Lewis | $ 271 | $ 316 | $ 361 | $ 203 | $ 237 | $ 271 | $ 135 | $ 158 | $ 180 | $ 315 | $ 315 | $ 315 |
| Livingston | $ 382 | $ 446 | $ 509 | $ 287 | $ 335 | $ 383 | $ 191 | $ 223 | $ 255 | $ 426 | $ 426 | $ 426 |
| Madison | $ 395 | $ 461 | $ 527 | $ 296 | $ 345 | $ 395 | $ 197 | $ 230 | $ 263 | $ 437 | $ 437 | $ 437 |
| Monroe | $ 403 | $ 470 | $ 537 | $ 302 | $ 352 | $ 403 | $ 202 | $ 236 | $ 269 | $ 454 | $ 454 | $ 454 |
| Montgomery | $ 436 | $ 509 | $ 581 | $ 327 | $ 382 | $ 436 | $ 218 | $ 254 | $ 291 | $ 483 | $ 483 | $ 483 |
| **Nassau** | **$ 587** | **$ 685** | $ 783 | **$ 441** | **$ 515** | $ 588 | **$ 294** | **$ 343** | $ 392 | **$ 725** | **$ 725** | **$ 725** |
| **New York City** | **$ 127** | **$ 148** | $ 169 | **$ 95** | **$ 111** | $ 127 | **$ 64** | **$ 75** | $ 85 | **$ 134** | **$ 134** | **$ 134** |
| Niagara | $ 404 | $ 471 | $ 539 | $ 303 | $ 354 | $ 404 | $ 202 | $ 236 | $ 269 | $ 426 | $ 426 | $ 426 |
| Oneida | $ 424 | $ 495 | $ 565 | $ 318 | $ 371 | $ 424 | $ 212 | $ 247 | $ 283 | $ 463 | $ 463 | $ 463 |
| Onondaga | $ 418 | $ 488 | $ 557 | $ 314 | $ 366 | $ 419 | $ 209 | $ 244 | $ 279 | $ 459 | $ 459 | $ 459 |
| Ontario | $ 382 | $ 446 | $ 509 | $ 286 | $ 334 | $ 381 | $ 191 | $ 223 | $ 255 | $ 423 | $ 423 | $ 423 |
| Orleans | $ 448 | $ 523 | $ 597 | $ 336 | $ 392 | $ 448 | $ 224 | $ 261 | $ 299 | $ 480 | $ 480 | $ 480 |
| **Orange** | **$ 479** | **$ 559** | $ 639 | **$ 359** | **$ 419** | $ 479 | **$ 239** | **$ 279** | $ 319 | **$ 542** | **$ 542** | **$ 542** |
| Oswego | $ 425 | $ 496 | $ 567 | $ 319 | $ 372 | $ 425 | $ 213 | $ 249 | $ 284 | $ 505 | $ 505 | $ 505 |
| Otsego | $ 353 | $ 412 | $ 471 | $ 265 | $ 309 | $ 353 | $ 177 | $ 207 | $ 236 | $ 392 | $ 392 | $ 392 |
| **Putnam** | **$ 676** | **$ 789** | $ 901 | **$ 507** | **$ 592** | $ 676 | **$ 338** | **$ 394** | $ 451 | **$ 732** | **$ 732** | **$ 732** |
| Rensselaer | $ 416 | $ 485 | $ 555 | $ 312 | $ 364 | $ 416 | $ 208 | $ 243 | $ 277 | $ 452 | $ 452 | $ 452 |
| **Rockland** | **$ 712** | **$ 831** | $ 949 | **$ 534** | **$ 623** | $ 712 | **$ 356** | **$ 415** | $ 475 | **$ 792** | **$ 792** | **$ 792** |
| St. Lawrence | $ 365 | $ 426 | $ 487 | $ 274 | $ 320 | $ 365 | $ 182 | $ 212 | $ 243 | $ 413 | $ 413 | $ 413 |
| Saratoga | $ 384 | $ 448 | $ 512 | $ 288 | $ 336 | $ 384 | $ 192 | $ 224 | $ 256 | $ 410 | $ 410 | $ 410 |
| Schenectady | $ 442 | $ 516 | $ 589 | $ 332 | $ 387 | $ 443 | $ 221 | $ 258 | $ 295 | $ 482 | $ 482 | $ 482 |
| Schoharie | $ 395 | $ 461 | $ 527 | $ 296 | $ 345 | $ 395 | $ 197 | $ 230 | $ 263 | $ 438 | $ 438 | $ 438 |
| Schuyler | $ 337 | $ 393 | $ 449 | $ 252 | $ 294 | $ 336 | $ 168 | $ 196 | $ 224 | $ 385 | $ 385 | $ 385 |
| Seneca | $ 426 | $ 497 | $ 568 | $ 320 | $ 373 | $ 427 | $ 213 | $ 249 | $ 284 | $ 470 | $ 470 | $ 470 |
| Steuben | $ 376 | $ 439 | $ 501 | $ 282 | $ 329 | $ 376 | $ 188 | $ 219 | $ 251 | $ 414 | $ 414 | $ 414 |
| **Suffolk** | **$ 572** | **$ 667** | $ 763 | **$ 429** | **$ 501** | $ 572 | **$ 286** | **$ 334** | $ 381 | **$ 612** | **$ 612** | **$ 612** |
| Sullivan | $ 418 | $ 488 | $ 557 | $ 314 | $ 366 | $ 419 | $ 209 | $ 244 | $ 279 | $ 456 | $ 456 | $ 456 |
| Tioga | $ 385 | $ 449 | $ 513 | $ 289 | $ 337 | $ 385 | $ 193 | $ 225 | $ 257 | $ 456 | $ 456 | $ 456 |
| Tompkins | $ 377 | $ 440 | $ 503 | $ 283 | $ 330 | $ 377 | $ 188 | $ 219 | $ 251 | $ 412 | $ 412 | $ 412 |
| Ulster | $ 411 | $ 480 | $ 548 | $ 308 | $ 359 | $ 411 | $ 206 | $ 240 | $ 275 | $ 437 | $ 437 | $ 437 |
| Warren | $ 322 | $ 376 | $ 429 | $ 241 | $ 281 | $ 321 | $ 161 | $ 188 | $ 215 | $ 351 | $ 351 | $ 351 |
| Washington | $ 407 | $ 475 | $ 543 | $ 305 | $ 356 | $ 407 | $ 203 | $ 237 | $ 271 | $ 447 | $ 447 | $ 447 |
| Wayne | $ 423 | $ 494 | $ 564 | $ 317 | $ 370 | $ 423 | $ 212 | $ 247 | $ 283 | $ 459 | $ 459 | $ 459 |
| **Westchester** | **$ 1,094** | **$ 1,276** | $ 1,459 | **$ 820** | **$ 957** | $ 1,093 | **$ 547** | **$ 638** | $ 729 | **$ 1,162** | **$ 1,162** | **$ 1,162** |
| Wyoming | $ 338 | $ 394 | $ 451 | $ 254 | $ 296 | $ 339 | $ 169 | $ 197 | $ 225 | $ 370 | $ 370 | $ 370 |
| Yates | $ 266 | $ 310 | $ 355 | $ 200 | $ 233 | $ 267 | $ 133 | $ 155 | $ 177 | $ 302 | $ 302 | $ 302 |

**TOTAL AMOUNT OF REBATE CHECKS CUT IN 2009 AND PROPOSED FOR 2010**

# The Executive Workforce Proposal Includes the "Possibility" of Layoffs

The Executive Budget includes a proposal to reconfigure the State Work Force as part of a State Agency Redesign Initiative. Of the $1.4 billion in savings anticipated from **"Redesign"**, $550 million is attributed to unspecified State Workforce concessions and Rightsizing. If these savings are not realized through collaborative negotiations, layoffs of up to 9,800 positions are projected by the Executive.

**<u>The State Workforce</u>**

As of March 31, 2011, the New York State workforce is projected to have approximately 190,000 full time equivalent (FTE). However, this figure includes federally funded positions as well as SUNY and CUNY, which are not under Executive control.

Approximately 94 percent of the State workforce is unionized. They are organized into nine separate unions with 14 individual negotiating units. The contracts for most of these units expire during 2011-12. There are also 12,000 non-union management confidential employees.

Approximately 127,000 State employees work for agencies that are directly under Executive control. It is from this population that the Executive will seek savings from consolidations, layoffs and less generous workforce contracts.

The average State employee earns an annual salary of $66,600, with fringe benefits the total compensation package increases to $98,854.

Many State employees are either eligible or will soon be eligible to retire. Since June 2010, there have been 3,387 retirement incentive applications from employees of Executive controlled agencies. In an environment where much of the workforce is unionized, employees with the most seniority are generally paid the highest wages. Hence, a substantial portion of the 12,320 new hires recommended in the Executive Workforce Summary are likely to be hired at substantially lower rates of pay.

**<u>Proposal: Rightsizing / Negotiation</u>**

The workforce part of the redesign plan has two components: rightsizing and negotiation.

The right sizing component has a savings of $100 million attached to it. Rightsizing includes initiatives to close or consolidate facilities with excess capacity, especially in the Department of Corrections (29,878 FTE), the Department of Mental Hygiene (15,760 FTE) and the Office of Children and Family Services (3,351 FTE).

Hence, rightsizing is closely associated with the workforce concessions that are likely to be part of collective bargaining contract negotiations. The negotiation component has a savings of $450 million attached to it.

The All Funds Executive workforce plan includes a reduction of 11,423 Full Time Equivalents (FTE), from 190,465 to 179,042. However, this can be misleading. Of this amount, only 267 FTE are proposed for reduction in the current budget (the carrot), an additional 1,623 FTE reductions are expected to accrue through attrition and there is a provision for 9,800 layoffs in the event that $550 million in savings cannot be achieved – the latter being the proverbial stick.

# Workforce Impact Summary

## All Funds

## 2009-10 Through 2011-12

| | 2009-10 Actuals (03/31/10) | Starting Estimate (03/31/11) | Layoffs* | Attritions | New Fills | Net Change | Ending Estimate (03/31/12) |
|---|---|---|---|---|---|---|---|
| **Major Agencies** | | | | | | | |
| Children and Family Services | 3,555 | 3,351 | 0 | -345 | 765 | 420 | 3,771 |
| Correctional Services | 30,104 | 29,878 | 0 | -940 | 345 | 1,298 | 31,176 |
| Education Department, State | 2,976 | 2,806 | 0 | -141 | 141 | 0 | 2,806 |
| Environmental Conservation | 3,454 | 3,003 | 0 | -52 | 52 | 0 | 3,003 |
| General Services | 1,519 | 1,371 | 0 | -44 | 47 | 3 | 1,374 |
| Health | 5,388 | 5,055 | 0 | -151 | 288 | 137 | 5,192 |
| Labor | 3,982 | 3,949 | 0 | -284 | 312 | 28 | 3,977 |
| Mental Health | 16,173 | 15,760 | 0 | -1,592 | 1,492 | -100 | 15,660 |
| Motor Vehicles | 2,750 | 2,472 | 0 | -49 | 49 | 0 | 2,472 |
| Parks, Recreation and Historic Preservation | 2,053 | 1,785 | 0 | -28 | 28 | 0 | 1,785 |
| Parole | 1,973 | 1,893 | 0 | -70 | 70 | -1,893 | 0 |
| People with Developmental Disabilities | 21,530 | 21,367 | 0 | -1,854 | 1,679 | -175 | 21,192 |
| State Police | 5,704 | 5,439 | 0 | -234 | 104 | -130 | 5,309 |
| Taxation and Finance | 5,263 | 5,008 | 0 | -336 | 336 | 0 | 5,008 |
| Temporary and Disability Assistance | 2,259 | 2,248 | 0 | -157 | 157 | 0 | 2,248 |
| Transportation | 9,963 | 8,708 | 0 | -265 | 265 | 0 | 8,708 |
| Workers' Compensation Board | 1,395 | 1,450 | 0 | -60 | 76 | 16 | 1,466 |
| **Subtotal - Major Agencies** | **120,041** | **115,543** | **0** | **-6,602** | **6,206** | **-396** | **115,147** |
| **Minor Agencies** | **11,700** | **11,091** | **-29** | **-475** | **610** | **129** | **11,220** |
| **Subject to Direct Executive Control** | **131,741** | **126,634** | **-29** | **-7,077** | **6,816** | **-267** | **126,367** |
| Workforce Savings Adjustment | 0 | 0 | -9,748 | -1,830 | 68 | -11,510 | -11,510 |
| **University Systems** | | | | | | | |
| City University of New York | 13,073 | 12,933 | 0 | -1,099 | 1,099 | 0 | 12,933 |
| State University Construction Fund | 129 | 172 | 0 | -15 | 15 | 0 | 172 |
| State University of New York | 41,900 | 41,815 | 0 | -3,555 | 3,955 | 400 | 42,215 |
| **Off-Budget Agencies** | | | | | | | |
| Roswell Park Cancer Institute | 2,025 | 2,025 | 0 | -162 | 162 | 0 | 2,025 |
| Science, Technology and Innovation | 25 | 23 | -23 | 0 | 0 | -23 | 0 |
| State Insurance Fund | 2,547 | 2,564 | 0 | -205 | 205 | 0 | 2,564 |
| **Independently Elected Agencies** | 4352 | 4299 | 0 | 0 | 0 | -23 | 4276 |
| **Grand Total** | **195,792** | **190,465** | **-9,800** | **-13,943** | **12,320** | **-11,423** | **179,042** |

# Workforce Impact Summary

## All Funds

### 2009-10 Through 2011-12

| | 2009-10 Actuals (03/31/10) | Starting Estimate (03/31/11) | Layoffs | Attritions | New Fills | Fund Shifts | Mergers | Net Change | Ending Estimate (03/31/12) |
|---|---|---|---|---|---|---|---|---|---|
| **Minor Agencies** | | | | | | | | | |
| Adirondack Park Agency | 65 | 56 | 0 | (2) | 2 | 0 | 0 | 0 | 56 |
| Aging | 122 | 121 | 0 | 0 | 0 | 0 | 0 | 0 | 121 |
| Agriculture and Markets | 557 | 511 | 0 | (9) | 9 | 0 | 0 | 0 | 511 |
| Alcoholic Beverage Control | 141 | 140 | 0 | 0 | 0 | 0 | 0 | 0 | 140 |
| Alcoholism and Substance Abuse Services | 886 | 842 | 0 | (94) | 69 | 0 | 0 | (25) | 817 |
| Arts | 42 | 29 | 0 | 0 | 0 | 0 | 0 | 0 | 29 |
| Banking Department | 538 | 555 | 0 | (24) | 24 | 0 | (555) | (555) | 0 |
| Budget the | 353 | 304 | 0 | (24) | 24 | 0 | 3 | 3 | 307 |
| Civil Service | 482 | 444 | 0 | (15) | 15 | 0 | 0 | 0 | 444 |
| Consumer Protection Board | 25 | 23 | 0 | 0 | 0 | 0 | (23) | (23) | 0 |
| Correction | 32 | 29 | 0 | 0 | 0 | 0 | (29) | (29) | 0 |
| Criminal Justice Services | 646 | 657 | 0 | (20) | 20 | 0 | 130 | 130 | 787 |
| Deferred Compensation Board | 4 | 4 | 0 | 0 | 0 | 0 | 0 | 0 | 4 |
| Economic Development | 167 | 134 | 0 | (4) | 4 | 0 | 0 | 0 | 134 |
| Elections | 62 | 60 | 0 | 0 | 0 | 0 | 0 | 0 | 60 |
| Employee Relations | 47 | 43 | 0 | (1) | 1 | 0 | 0 | 0 | 43 |
| Environmental Facilities Corporation | 88 | 88 | 0 | 0 | 0 | 0 | 0 | 0 | 88 |
| Executive Chamber | 144 | 136 | 0 | (10) | 10 | 0 | 0 | 0 | 136 |
| Financial Control Board | 14 | 15 | 0 | 0 | 0 | 0 | 0 | 0 | 15 |
| Financial Regulation | 0 | 0 | 0 | 0 | 0 | 0 | 1,538 | 1,538 | 1,538 |
| Higher Education Services Corporation | 600 | 516 | 0 | (29) | 29 | 0 | 0 | 0 | 516 |
| Homeland Security and Emergency Services | 169 | 404 | 0 | (12) | 41 | 0 | 0 | 29 | 433 |
| Housing and Community Renewal | 890 | 757 | 0 | (33) | 33 | 0 | 0 | 0 | 757 |
| Hudson River Valley Greenway Communities Council | 1 | 1 | 0 | 0 | 0 | 0 | 0 | 0 | 1 |
| Human Rights | 213 | 195 | 0 | (14) | 14 | 0 | 0 | 0 | 195 |
| Indigent Legal Services | 0 | 20 | 0 | 0 | 0 | 0 | 0 | 0 | 20 |
| Inspector General | 60 | 58 | 0 | 0 | 0 | 0 | 0 | 0 | 58 |
| Insurance Department | 904 | 976 | 0 | (36) | 36 | 0 | (976) | (976) | 0 |
| Interest on Lawyer Account | 8 | 8 | 0 | 0 | 0 | 0 | 0 | 0 | 8 |
| Judicial Commissions | 47 | 48 | 0 | (5) | 5 | 0 | 0 | 0 | 48 |
| Labor Management Committees | 82 | 91 | 0 | 0 | 0 | 0 | 0 | 0 | 91 |
| Lieutenant Governor | 0 | 7 | 0 | (1) | 1 | 0 | 0 | 0 | 7 |
| Lottery | 332 | 319 | 0 | (15) | 65 | 0 | 0 | 50 | 369 |
| Medicaid Inspector General | 603 | 662 | 0 | (14) | 14 | 0 | 0 | 0 | 662 |
| Military and Naval Affairs | 529 | 417 | 0 | (10) | 35 | 0 | 0 | 25 | 442 |
| National and Community Service | 0 | 10 | 0 | 0 | 0 | 0 | 0 | 0 | 10 |
| Prevention of Domestic Violence | 27 | 26 | 0 | 0 | 0 | 0 | (26) | (26) | 0 |
| Probation and Correctional Alternatives | 33 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| Public Employment Relations Board | 36 | 35 | 0 | 0 | 0 | 0 | 0 | 0 | 35 |
| Public Integrity | 48 | 46 | 0 | (2) | 2 | 0 | 0 | 0 | 46 |
| Public Service Department | 526 | 531 | 0 | (11) | 14 | 0 | 0 | 3 | 534 |
| Quality of Care and Advocacy for Persons With Disabilities | 100 | 91 | 0 | (6) | 6 | 0 | 0 | 0 | 91 |
| Racing and Wagering Board | 121 | 105 | 0 | (8) | 8 | 0 | 0 | 0 | 105 |
| Real Property Services | 304 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| Regulatory Reform | 19 | 14 | (11) | 0 | 0 | 0 | (3) | (14) | 0 |
| State | 783 | 596 | (18) | (45) | 45 | 0 | 16 | (2) | 594 |
| Statewide Financial System | 0 | 113 | 0 | 0 | 0 | 0 | 23 | 23 | 136 |
| Statewide Wireless Network | 31 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| Tax Appeals | 31 | 24 | 0 | (1) | 1 | 0 | 0 | 0 | 24 |
| Technology | 594 | 651 | 0 | (30) | 82 | 0 | 0 | 52 | 703 |
| Veterans' Affairs | 104 | 97 | 0 | 0 | 1 | 0 | 0 | 1 | 98 |
| Victim Services | 84 | 75 | 0 | 0 | 0 | 0 | (75) | (75) | 0 |
| Welfare Inspector General | 6 | 7 | 0 | 0 | 0 | 0 | 0 | 0 | 7 |
| **Subtotal - Minor Agencies** | **11,700** | **11,091** | **(29)** | **(475)** | **610** | **0** | **23** | **129** | **11,220** |

# WHY DOES CURRENT SERVICES SPENDING CAUSE BIG BUDGET GAPS?

New York is experiencing a chronic structural deficit that seems to have taken on a life of its own as current services spending drives ever increasing budget gaps. These gaps are the individual components that comprise the State's four year structural deficit of $64.6 billion.

**What is a Budget Gap?**

A budget gap can be defined as an imbalance between revenues and expenditures. The gap can be either negative or positive; when the gap is negative it is referred to as a deficit, when the gap is positive it is referred to as a surplus.

In the case of deficits a budget gap is driven by either revenue shortfalls or increased spending, usually it is a combination of the two. According to the SFY 2011-12 Executive Budget, New York State has a current services deficit, or budget gap of about $10 billion.

The Budget gap is expressed in terms of the General Fund and does not reflect changes in Federal revenue although it is certainly affected by changes in Federal transfer payments.

| Budget Gaps Prior To Executive Actions (billions of $) | |
|---|---|
| 2010-11 | n/a |
| 2011-12 | ($10.003) |
| 2012-13 | ($15.280) |
| 2013-14 | ($17.883) |
| 2014-15 | ($21.415) |
| **Structural Deficit** | **($64.600)** |

**The Structural Deficit**

The structural deficit is the net amount of a series of budget gaps over a period of time.

New York State currently measures its structural deficit over four years (including SFY 2011-12). However, there are caveats: first, the further out projections reach, the less reliable they become; second, under any model the underlying assumptions are subject to manipulation. Manipulation most frequently manifests itself in the timing and recognition of expenditures.

For example, in December 2010, the Legislature was called into session by the Governor to close a projected deficit for the current year. The Legislature did not act. Now, only two or three months later, the Division of the Budget estimates that there is no current year shortfall.

**Current Services Spending**

Current services spending drives the budget gap which in turn drives the structural deficit.

There are two main drivers of current services spending: natural growth in the base; and, the impact of present law (discussed later).

The spending base can be conceptualized from the perspective of either appropriation authority or cash disbursements. Appropriation authority is simply the authority to spend resources for a specified purpose, **up to** an amount prescribed in the Adopted Budget for a given year.

Cash disbursements reflect **actual resources expended** during a period of time. In the context of the financial plan and for the purposes herein, the spending base is discussed in terms of **cash disbursements**.

College tuition can provide insight as to how natural growth in the spending base occurs.

Assume that in year one the annual tuition at a four year State college is $20,000. This is the spending base. Should tuition increase by ten percent, the spending base would increase by $2,000 or ten percent, to $22,000.

The same thing happens with government spending, specifically in the area of personal services and fringe benefits which increase annually based upon either negotiated or market driven amounts. For the most part natural growth in the base (as mentioned above) is unavoidable and can be part of a healthy finance structure; however, current services driven growth in the base becomes problematic when it produces an unmanageable structural deficit and rolling deficit budget gaps.

**The Affect of Present Law**

When current services drive substantial increases in out-year spending it is often due to the delayed impact of fully annualized costs and present law spending. Often, spending increases because the true cost of the program is not fully phased in until subsequent years. So while the Enacted Budget for the current year is balanced, subsequent budgets have gaps built into them. These gaps are further exasperated should tax receipts be lower than projected.

Using healthcare as a strictly hypothetical example, assume that State Operating Funds spending for Health in the base year is $20 billion. The Enacted Budget increases that amount by $1 billion to $21 billion in the first year and by an additional $2 billion in the immediately following year to $23 billion as a result of projections relating to formulaic increases, utilization, scheduled cost-of-living adjustments (COLAs), and overall medical care cost inflation. For financial plan purposes, the second year increase of $2 billion is referred to as present law spending.

When deferred provisions of present law become effective at the beginning of the following State Fiscal Year, absent all other considerations, hypothetical health spending would increase from $21 billion to $23 billion, a structural increase of $2 billion or 9.52 percent. The same concept using different mechanics applies to education. Funding for programs such as Foundation Aid and Universal Pre-K include multi-year projections and implementation that is phased in over a number of years.

Hence, statutorily provided spending increases in both areas drive current services spending, thereby creating big budget gaps that contribute to the structural deficit.

Should there be a desire to reduce spending or even keep it “flat” at the current level, existing law must be amended. Stakeholders will decry that services are being cut even though there was no actual reduction to the current level of spending, rather present law spending commitments were reduced or deferred.

Again using the hypothetical health example above, an Enacted Budget that funded healthcare at $21.5 billion instead of $23 billion would be criticized as a budget that cut health by $1.5 billion as opposed to what it actually did which was to provide for an increase of $500 million above the $21 billion base.

Present law also has revenue implications. The most readily apparent of these is the income tax surcharge imposed by the Senate Democrats in 2009 that is scheduled to expire in 2011. Other examples are the many job creating tax credits deferred by the Democrats in 2010; these deferments are scheduled be paid to businesses in 2013 through 2015, which will cause a reduction on the revenue side of the budget gap model.

Because these increases in spending or decreases in revenue are written into law, eliminating any of them requires that the underlying Legislation be amended and the process of doing so changes the State's financial plan and impacts the deficit. This is how reducing a statutorily planned increase can be referred to as a "cut".

Another manifestation of present law spending is by deferring the full annual cost of a program into the next or subsequent fiscal years.

Cost deferrals can be illustrated by creating a hypothetical program. Assume the program costs $10 million annually at full implementation. To fit into current budget targets, the effective date of the program could be deferred until January 1 of the next calendar year, effectively reducing the first year costs by 75 percent. Hence the $10 million program costs $2.5 million in year one, but has a full annualized cost of an additional $7.5 million when it is up and running for the entire following State Fiscal Year.

**Cost Shifting**

In the past, cost shifting in the form of reduced Federal transfer payments has not been a major contributor to the structural deficit. The American Recovery and Reinvestment Act (ARRA) changed all of that.

The unadjusted SFY 2011-12 Executive Budget provides for a State Operating Funds increase of $10.1 billion or 11.9 percent. The two year unadjusted State Operating Funds increase is $14.5 billion or 15.2 percent. This amounts to an average annual increase over two years of 7.6 percent. For SFY 2011-12, Federal grants are decreasing by $5.8 billion or 11.6 percent from SFY 2010-11. The $44.3 billion in projected Federal receipts for SFY 2011-12 is a reduction of $1.2 billion or 2.8 percent from SFY 2009-10

The reduction in Federal grant revenue is primarily caused by the expiration of ARRA funding. Because the General Fund, for financial plan purposes, is the financing mechanism of last resort, the spending financed by ARRA revenue will under present law either have to be eliminated or shifted to the General Fund; thereby, contributing to the structural deficit.

**The act of the State assuming the cost of a local program is another example of cost shifting that drives current services spending.**

The recent State takeover of the local share of Medicaid costs that fall under the existing cap is an example of this. The takeover of Family Health Plus and a property tax cap (once enacted) would also be examples of cost shifting initiatives that would drive current services spending and potentially create budget gaps.

The Executive Budget includes hundreds of millions of dollars in present law assumptions to drive down out year budget gaps, without identifying specific cost savings measures. Hence, present law can also be a cost containment tool as the savings from sound policy decisions do not always become fully effective in the early years of implementation.

Lastly the Executive Budget includes $500 million in competitive grants for school districts, however no funds are projected to be disbursed in SFY 2011-12. This proposal creates a $500 million out year impact that does not show up in the SFY 2011-12 Financial Plan.

In summary, not all current services spending is a "sham", rather it is a legitimate policy tool that can be used to achieve positive results, or not.

# MERGERS AND CONSOLIDATIONS

**Merger of the Department of Insurance, the Banking Department and the Consumer Financial Protections Programs of the Consumer Protection Board into the new Department of Financial Regulation**

The Executive creates a new regulatory agency that consolidates the Banking and Insurance Departments, along with some regulatory functions of the Consumer Protection Board into the Department of Financial Regulation. The consolidation would increase costs for SFY 2011-12 by $9.2 million, to $557 million or 1.7 percent over SFY 2010-11. There are no long term savings recognized from consolidating the three regulatory entities. According to the Division of the Budget the increase in spending is related to the consolidation expenses.

The Department will have a Banking Division and an Insurance Division; and a very small consumer protection program paid for through its own Special Revenue Fund. The rest of the Department will be paid for via Industry Assessments; with the banking and insurance industries only paying assessments through suballocations for department programs that pertain to their industry. Additional information can be found in the Article VII section of this report.

**Merger of the Office of Victim Services, the Office for the Prevention of Domestic Violence, and the State Commission on Corrections into the Division of Criminal Justice Services – Savings $477,000:**

In SFY 2010-11 the Crime Victims Board was restructured by eliminating four members. It was replaced with a new Office of Victim Services. Also, in SFY 2010-11 the Department of Probation and Correctional Alternatives (DPCA) was merged into the Division of Criminal Justice Services (DCJS). The same year the merger of the Office for the Prevention of Domestic Violence (OPDV) into DCJS was proposed, but was denied by the Legislature.

The SFY 2011-12 Executive Budget proposes the merger of the following agencies, which when implemented would save the State $477,000 in SFY 2011-12:

- the Office of Victim Services (OVS),
- the Office for the Prevention of Domestic Violence (OPDV), and
- the State Commission on Corrections (SCOC).

DCJS already provides administrative support to these agencies. A full merger is proposed to offer a more efficient and cost-effective environment for the delivery of programs and services.

The Office for the Prevention of Domestic Violence and the Office of Victim Services would be new offices within DCJS headed by a Director reporting to the Commissioner of DCJS. The State Commission of Corrections, mandated by the constitution, three members would remain, however, the Chair of the Commission would report to the Commissioner of DCJS. The other two members of SCOC would be paid on a per diem basis as opposed to salaried.

**Merger of the Department of Correctional Services and the Division of Parole - Savings $6-$8 million:**

The Executive proposes Article VII legislation to merge the Department of Correctional Services and the Division of Parole into a single entity to be named the Department of Corrections and Community Supervision (DCCS). This consolidation is intended to improve the coordination of re-entry programming and enhance operations.

The plan for consolidation of these two agencies is not fully developed. However, with the elimination of duplicative functions and sharing of services the Executive anticipates a savings of $6 million in State Fiscal Year (SFY) 2011-12, and $8 million when fully annualized in SFY 2012-11. The Executive includes broad interchange appropriation language to allow for the funding of the two agencies to be integrated as one entity. The Executive transfers 1,893 Full-Time Equivalent (FTE) positions from the Division of Parole to the proposed DCCS.

The Board of Parole would still function as a separate entity while receiving administrative support from the new entity. However, under the proposal the Board's current authority would change. The Board of Parole would no longer be given the authority to:

- set the conditions of parole supervision;
- decide revocations;
- release parole violators who have successfully completed their time assessment without a hearing; and,
- issue certificates of relief and certificates of good conduct.

Currently, all of these functions are administered by the Board of Parole or via the Boards designee and under the Executive proposal would be transferred to employees of DCCS.

Further, the Executive Budget proposes to reduce the Board of Parole membership from 19 to 13 members. This proposal is estimated to save $600,000. The Executive states that this proposal aligns membership to reflect current workload. There are currently six vacancies on the Board.

Merger of the Foundation for Science, Technology and Innovation

**Merger of the Foundation for Science, Technology and Innovation (NYSTAR) into the Empire State Development Corporation**

The Executive Budget proposes the consolidation of NYSTAR into the Urban Development Corporation, d.b.a. Empire State Development Corporation (ESDC). This merger would eliminate duplicative administrative functions between the Agency and the Authority, resulting in the elimination of 23 employees of the Foundation. Of the eliminated employees, five are expected to be transferred to ESDC. This consolidation would result in approximately $2 million in savings in SFY 2011-12.

All of NYSTAR's powers and functions would be transferred over to ESDC. This includes the administration of the High Techology Program, which includes Centers of Excellence, and the Science and Technology Law Program. These programs would be funded at the same levels as in SFY 2010-11. The Executive Budget provides ESDC with an additional $1 million in funding for these functions.

# Local Mandate Relief

## Senate Commitment to Mandate Relief

The Senate passed a property tax cap bill (S.2706) for local governments and school districts on January 31, 2011. In addition, the Senate Republican Majority has expressed a commitment to mandate relief. The Senate passed a complete ban on unfunded mandates (S.2707) for school districts and local municipalities multiple times in recent years including January of 2011. This starting point would prospectively prohibit unfunded mandates by requiring that ***any*** state mandated programs imposed on municipalities by rule, regulation or law be funded by the State.

In addition Senate Republicans also passed a resolution (J.400) to underscore that the only way to realistically achieve a long term, meaningful reduction of the real property tax burden, presently placed upon homeowners, and businesses, is to establish in State law, a comprehensive approach, which would both cap the growth of real property taxes, and provide significant fiscal mandate relief reform for local governments and school districts. The resolution urged the Governor, his mandate relief redesign team, and Medicaid redesign team, to work with the Senate and Assembly, to develop legislation that will comprehensively address a real property tax cap and mandate relief.

This Senate Republican Resolution (J.400) cites the need for a comprehensive approach to provide for meaningful, long term real property tax relief. The resolution urged the development and passage of comprehensive legislation that includes measures to:

- Empower local governments and school districts to unilaterally control their costs and expenditures, including, but not limited to, non-wage benefits costs of government employees;
- Reduce, control and eliminate mandates by State government upon local governments and school districts;
- Empower local governments and school districts to establish individual practices to best administrate programs performed on behalf of State government;
- Empower local governments and school districts to unilaterally improve efficiencies, either by means of their own action or in cooperation with other local governments and school districts;
- Authorize local governments and school districts to address judgments concerning tort actions or tax certiorari actions, or any other contingency for which such local government or school district could not be reasonably expected to plan;
- Promote inter-municipal and inter-school district cooperation, coordination, and consolidation, so as to reduce costs and expenses, including, but not limited to contracting, purchasing and personnel costs; and
- Reduce, control and eliminate regulations imposed by State law upon local governments and school districts, which negatively impact the operations and services they provide.

**Executive Redesign Teams – Mandates and Medicaid**

Governor Cuomo has established the Mandate Relief Redesign Team through Executive order number six and the Medicaid redesign Team through Executive Order number five. For decades, New York State's municipalities and school districts have been encumbered with unfunded and underfunded mandates from state government. These mandates contribute to New York State having the second highest combined state and local taxes in the nation and the highest local taxes in America as a percentage of personal income —79 percent above the national average.

**Mandate Relief Redesign Team**

The Mandate Relief Redesign Team is made up of 20 representatives from private industry, education, labor, and government with appointments by the Governor and Legislature.
According to the Governor, the Mandate Relief Redesign Team will review unfunded and underfunded mandates imposed by the New York State government on school districts, municipalities, and other local taxing districts. Such mandates include legal requirements that a local district provide a program, project, or activity on behalf of the state. In addition, the team will identify mandates that are ineffective and outdated, and determine how school districts and local governments can have greater ability to control expenses. The Team will report to the Governor by March 1, 2011.

***More specifically, this Redesign team will:***

- Focus on the New York State's service delivery structure that requires school districts, local governments and other local taxing districts to administer and fund mandated programs.
- Look for ways to reduce the costs of mandated programs on schools and local governments by determining how school districts and local governments may be given greater ability to control costs.
- Examine the reason for delays in State reimbursement for mandated programs.
- Consider the practice of cost-shifting of mandated programs.
- Identify opportunities for eliminating or reducing unfunded and underfunded mandates imposed by the New York State government on local governments and school districts.

# Executive Budget Appropriation Language

## Budget Bills

Article VII of the New York State Constitution provides the framework under which the New York State Budget is submitted, amended and enacted. In addition, this article defines the duties of the Governor and Legislature in the budget process. When the Executive Budget is submitted it is contained in two different types of bills. The first, appropriation bills, include the amount of spending for State Operations, Local Assistance and Capital Projects. The second type of bills is referred to as "Article VII" bills. Typically, these bills include the proposed legislation necessary to implement the specific spending contained in the appropriation bills. These non-appropriations budget bills are also sometimes referred to as "language bills."

## Budget Amendments

The Legislature is limited in how it may change the appropriations bills submitted by the Governor. According to Section 4 of Article 7 of the State Constitution, the Legislature can delete or reduce items of appropriations contained in the appropriations bills submitted by the Governor in conjunction with the Executive Budget, and it can add additional items of appropriations to those bills provided that "such additions are stated separately and distinctly from the original items of the bill and refer each to a single object or purpose." Such additions are subject to the Governor's line-item veto power under Section 7 of Article 4 of the Constitution. For example, the Legislature could not change a $10 million appropriation to $20 million. The Legislature would have to add a second appropriation for $10 million for the same purpose as the Governor's.

Article VII bills are treated differently under the Constitution in that the Legislature is not required to act on these bills as with the appropriation bills. In addition, the Legislature is not limited in how it can alter or amend the Governor's proposed language (or non-appropriations budget) bills.

## Court Decisions

The New York State Court of Appeals in three recent decisions (New York State Bankers Assn., Inc. v Wetzler [1993], George E. Pataki, as Governor of the State of New York v. New York State Assembly [2004], and Sheldon Silver v. George E. Pataki, Governor [2004]) has construed the term "items of appropriations" to refer to the dollar amount of appropriations and to the terms and conditions that the Governor might attach to those appropriations in the proposed appropriations bills submitted in conjunction with the executive Budget. Since the Court's 1993 decision in the "Bankers" case, Governors have included more terms, conditions and policy in the proposed appropriations bills, including various provisions "notwithstanding" portions of permanent law related to the proposed appropriations for the life of the appropriation.

## Movement of Funding

An interchange is the movement of appropriations resulting in an increase or decrease of appropriation authority within a program or purpose, or between programs. In accordance with Section 51 of the State Finance Law, there is unlimited interchangeability of appropriations from the same fund within a program or purpose (e.g., between personal service and nonpersonal service). However, Section 51 sets limits on the interchangeability of appropriations between programs or purposes from the same fund.

Specifically, the total amount appropriated from a particular fund for a program or purpose may not, in aggregate, be increased or decreased through interchange by more than: 5 percent of the first $5 million, 4 percent of the second $5 million and 3 percent of the amounts over $10 million. To effectively go beyond these interchange restrictions authorization language must be included within the appropriation itself.

In the SFY 2011-12 Executive Budget there are numerous cases in which there is language within the appropriation that include terms and conditions. In addition, there is language that allows for interchange or use of funds for more than one purpose. The following list are examples of language within the appropriation bills which limit the Legislature's ability to amend the terms and conditions of the appropriations and increases the ability to use specific funding for different purposes.

- Allows the Commissioner of Health, without legislative approval, to implement the Medicaid Redesign Team (MRT) recommendations, and/or a plan developed outside of the MRT to meet the Executive's Medicaid cut target in the event that MRT recommendations fall short. The Health Commissioner would be able to change any law he deemed necessary to implement the Executive's plan.

- Includes Article VII language that downsizes and modifies the Elderly Pharmaceutical Insurance Coverage (EPIC) Program. This limits the Legislature to accepting the changes or eliminating EPIC funding.

- Allows the Office of Mental Health (OMH) to consolidate, reduce, transfer or otherwise redesign services of hospitals or other facilities operated by OMH without regard to current law.

- Allow the Department of Corrections and Community Supervision and the Division of Criminal Justice Services the flexibility to increase or decrease spending within General Fund State Operations, Special Revenue, and Miscellaneous Special Revenue Funds to achieve the ten percent reduction. Turns $277 million in appropriations into one lump sum with few requirements.

- Dictates the closure of correctional facilities via a Task Force to be created by Executive Order. In addition, "notwithstanding" language is included that would repeal the one-year prison notification statute to allow for the closure of correctional facilities.

- Reduces the State share of Adoption Subsidies from 73.5 percent to 62 percent. This change is made by including additional "notwithstanding" language within the Adoption Subsidy appropriation, rather than amending Social Services Law. The Legislature must accept the change or eliminate the adoption subsidy.

- Includes new language in the reappropriations for various economic development capital programs to reduce the amounts allocated to the Executive and the Legislature as well as to require approval by the regional economic development councils for any future funding for projects under these programs. The Legislature must accept the change or eliminate $544.5 million in capital funding for economic development projects.

- Authorizes the Attorney General and Comptroller to use specific appropriations for any other purpose in their budgets. This creates a single lump sum appropriation in the agencies with no limits

# STATE TRANSPORTATION CAPITAL PROGRAM

In late 2009 as the State's five year transportation capital plans were ending, the Department of Transportation (DOT) proposed a $25.8 billion capital program covering 2010-2015 for the State's roads and bridges and the Metropolitan Transportation Authority (MTA) proposed a $25.6 billion plan covering the same period. Initially the DOT plan was considered unaffordable and no substantive action was taken prior to the March 31, 2010 expiration date. A revised $23.8 billion five-year capital program for the Metropolitan Transportation Authority (MTA) was approved in the spring of 2010, without a companion DOT plan. However, only the first two years of the MTA's five-year program – valued at $9.1 billion - are funded, and a $10 billion funding gap for the remaining three years still needs to be addressed.

The SFY 2010-11 Enacted Budget included a two-year, $7 billion capital spending program for DOT as a interim measure until a financing plan to support a full five-year program can be developed. The Senate's Republican leadership has indicated that it intends to return to its traditional policy of supporting a comprehensive, multi-year state transportation program that considers DOT and MTA capital needs at the same time.

The need for continued investment in the State's transportation infrastructure was made clear in late 2009 with the unexpected closure and subsequent demolition of the Lake Champlain Bridge, a span connecting New York and Vermont. In 2010, State Comptroller Thomas DiNapoli issued an audit report stating that his office identified 93 bridges that had safety ratings as bad as or worse than the Lake Champlain Bridge. Identifying sufficient funding to fully support five-year capital programs for both the New York State Department of Transportation and the Metropolitan Transportation Authority remains extremely challenging. Another factor that complicates matters is the absence of a new federal, multi-year transportation program, as both the MTA and DOT significantly rely on federal capital funding. The current extension of the previous federal program, referred to as SAFTEA-LU, runs until March 2011.

The Executive's SFY 2011-12 Executive Budget continues the final year of the 2-year, $7 billion DOT Capital Plan that was approved last year. This may indicate the Executive's intent to defer significant action on developing and funding a new and needed five-year state transportation plan until next year.

**History**

In 2005, a five-year $35.8 billion state transportation capital plan for highways, bridges, and mass transit was approved, splitting funding evenly between DOT ($17.9 billion) and the MTA ($17.9 billion). In addition to providing sufficient resources for infrastructure investments, an effort was made to maintain equity between the two capital spending programs. The $2.9 billion 2005 Transportation Bond Act was equally split between the two capital programs, with the MTA and DOT each receiving $1.45 billion. The MTA's 2005-2009 Capital Plan ended on December 31, 2009, and DOT's previous five-year capital program ran through March 31, 2010.

In late 2009, the MTA proposed a $25.6 billion 2010-2014 Capital Plan and DOT proposed a $25.8 billion 2010-2015 program. Neither of these proposals was acted upon. The MTA later submitted a revised $23.8 billion 2010-2014 Capital Program, which was approved by the MTA

Capital Program Review Board in the spring of 2010.

Given the financing limitations in approving a new five-year DOT capital plan, especially without a reauthorized federal multi-year transportation program, last year the Executive proposed a two-year, $7 billion program for DOT, which was approved. Both the MTA and DOT capital programs typically rely on federal funds, and the last multi-year, federal transportation program, SAFTEA-LU, expired in October 2009 (with an extension until March 2011.)

The MTA however, only has sufficient funding for the first two years of its five-year capital spending or $9.1 billion worth of projects. The MTA forecasts a $10 billion funding gap for the remainder of its $23.8 billion 2010-2014 Capital Program. It is estimated that DOT faces a similar funding shortfall for a five-year capital spending program of a similar size.

**DOT- $7 Billion Two-Year Capital Program**

As part of last year's budget, a two-year $7 billion capital program was approved for the Department of Transportation (DOT). The SFY 2011-12 Executive Budget continues the two-year DOT capital program, with DOT now scheduled to enter the second and final year. The two-year DOT program attempts to maintain, more or less, the annual funding levels in the previous five-year plan. Letting levels for new state and local construction contracts have fallen, leading to concerns about protecting the state's infrastructure. The Executive has noted that it makes sense to wait until a new federal transportation bill is reauthorized as it will then be clearer how much New York stands to receive in federal capital assistance. Since Congress has yet to approve a new multi-year transportation bill, it remains unclear how much future federal assistance New York can expect.

The two-year, $7 billion DOT capital plan is funded by existing funding streams, including the state's Dedicated Highway and Bridge Trust Fund (DHBTF). In recent years, the DHBTF has required substantial fund transfers from the State's General Fund. The DHBTF required approximately $557 million from the General Fund in SFY 2010-11 and will need a projected $522 million in SFY 2011-12.

## Department of Transportation Two-Year Capital Plan Obligations
**(millions of dollars)**

| State and Local Construction Contracts | 2010-11 Revised | 2011-12 Proposed | Two-Year Total |
|---|---|---|---|
| Administration | 122 | 112 | 234 |
| State Forces – Engineering & Prog. Mgmt. | 391 | 377 | 768 |
| Consultant Engineering | 173 | 169 | 342 |
| Preventive Maintenance | 264 | 242 | 506 |
| Right of Way | 71 | 69 | 140 |
| Maintenance Facilities / Equipment | 38 | 38 | 76 |
| Industrial Access | 0 | 0 | 0 |
| Special Federal Programs | 50 | 58 | 108 |
| Rail Development | 52 | 56 | 108 |
| Aviation | 14 | 14 | 28 |
| Non-MTA Transit | 50 | 50 | 100 |
| CHIPS / Marchiselli | 403 | 403 | 806 |
| Multi-Modal | 0 | 0 | 0 |
| Canal Infrastructure | 16 | 16 | 32 |
| Plan Total | 3,635 | 3,411 | 7,046 |

## MTA 2010-2014 Capital Program

In the spring of 2010, the Metropolitan Transportation Authority's revised $23.8 billion 2010-2014 Capital Program was approved. Initially, the MTA proposed a $25.6 billion 2010-2014 Capital Program.

The MTA's 2005-2009 Capital Program, which started at $17.9 billion and ended at $20.2 billion, expired on December 31, 2009. The MTA's 2005-2009 Capital Plan grew largely as a result of the receipt of additional federal funds for the MTA's two major system expansion projects, East Side Access and the Second Avenue Subway. Since the first MTA Capital Plan in 1982, the MTA has invested more than $78 billion in successive capital spending programs.

Although the MTA has identified sufficient funding for the first two years of its five-year Capital Plan (i.e., including $6 billion in bonds backed by the new regional payroll tax), the 2010-2014 MTA Capital Plan has an overall funding gap of nearly $10 billion. Both the MTA and DOT capital spending programs will need additional revenues after this year based on current estimates.

| MTA 2010-2014 Capital Program Planned Capital Investments ($ millions) | |
|---|---|
| **Core Program** | |
| New York City Transit | 12,841 |
| Long Island Rail Road | 2,554 |
| Metro-North Railroad | 1,703 |
| MTA Bus | 325 |
| MTA-Wide Security | 335 |
| Interagency | 315 |
| **Core Subtotal** | **18,073** |
| Network Expansion Projects | 5,739 |
| **Total** | **23,812** |

| MTA 2010-2014 Capital Program Anticipated Funding ($ millions) | |
|---|---|
| **Proposed Program Costs** | **23,812** |
| **Funding** | |
| Federal Formula | 6,415 |
| Federal Security | 225 |
| MTA Bonds | 6,000 |
| City of New York | 500 |
| Federal & City Match of MTA Bus | 160 |
| Asset Sales / Pay-As-You Go / Internal Sources | 600 |
| **Estimated Available Funding** | **13,900** |
| **Funding Shortfall** | **-9,912** |

The MTA has not advanced funding recommendations to fill the remaining $10 billion gap in its $23.8 billion 2010-2014 Capital Program. The MTA assumes that that the 0.34 percent employer-based regional payroll tax that was approved as part of the MTA Bailout in 2009 will allow the MTA to issue $6 billion in bonds to support the first two years of the 2010-2014 Capital Program, valued at $9.1 billion.

The MTA's five-year Capital Plan is divided into four categories: core program, security, system expansion, and interagency programs.

**Core Program** ($18.0 billion)

New York City Transit ($12.8 billion). The largest investment areas for New York City Transit (NYCT) are rolling stock, stations, track, and signals. NYCT and Staten Island Railway will purchase 473 ($1 billion) new rail cars. Nearly 2,100 new buses will be purchased to meet replacement cycle needs, expand the fleet and support the further deployment of Bus Rapid Transit (BRT). This includes the purchase of 1,041 standard buses ($765 million), 674 articulated buses ($620 million), and 375 express buses ($279 million). NYCT also plans to purchase 943 new paratransit vans ($79 million) to replace vehicles reaching the end of their service lives. NYCT will continue with its program to modernize existing signal systems with a number of interlocking upgrade projects, the first step in upgrading signals to Communication Based Train Control (CBTC). NYCT intends to invest $3.2 billion in signals and communications improvements between 2010 and 2014.

Long Island Rail Road ($2.554 billion). A significant portion of Long Island Rail Road's (LIRR) program for 2010-2014 is comprised of a set of investments to expand the capacity to accommodate its growing fleet and to prepare for the start-up of the East Side Access service to Grand Central Terminal by late 2016. The LIRR plans to purchase up to 84 new electric M-9 cars ($356 million) to begin replacing its aging M-3 fleet. The LIRR will also invest $861 million in track improvements, $189 million in line structures, and $495 million in communications and signals.

Metro-North Railroad ($1.703 billion). Metro-North focuses the largest share of its capital program on rolling stock, stations, track, and shops. Metro-North plans to spend $246 million to complete the purchase of at least 342 cars for the New Haven Line, $278 million for signals and communications, $103 million for power-related projects, $324 million for shops and yards, and $203 millions for stations, parking and strategic facilities.

MTA Bus ($325 million). Building on the significant purchases made in the 2000-2004 and 2005-2009 MTA Capital Programs to restore the fleet, the Bus Company will order a total of 285 new buses ($212 million), including 253 for local service and 32 for express service. With a fleet of over 1,300 buses, the agency operates 45 local bus routes serving the Bronx, Brooklyn, and Queens and 35 express bus routes between Manhattan, the Bronx, Brooklyn, and Queens. MTA Bus is the 10th largest bus fleet in North America.

**MTA-Wide Security** ($335 million). After the 9/11 attacks, the MTA initiated a number of infrastructure security projects as part of its capital spending plan. The MTA's 2010-2014 Capital Plan allocates $250 for capital safety projects, and $85 million for the capital needs of the MTA Police Department, including two district offices and the police radio system.

**Interagency–Business Service Center ($315 million).** The interagency section of the MTA Capital Program includes several categories of investment that benefit the MTA family of agencies. It includes investments to support the MTA Business Center ($75 million), rehabilitation of the former NYC Transit headquarters at 370 Jay Street in Brooklyn ($184 million), and MTA Planning initiatives ($56 million). The Business Center was begun in 2009 as an effort to consolidate and integrate human resources and financial systems among the MTA's agencies.

**System Expansion ($5.7 billion)**

East Side Access - The 2010-2014 MTA Capital Program includes $3 billion for the East Side Access project, for a total project cost of $7.3 billion. East Side Access will connect the Long Island Rail Road to Grand Central Terminal in Manhattan. The $7.3 billion project, which has experienced delays and cost increases along the way, is now expected to be completed in December 2016. The initial cost of East Side Access was $4.3 billion, with a completion date in 2009.

Second Avenue Subway – The current MTA Capital Program includes $1.5 billion for the Second Avenue Subway project, for a total expected cost of $4.5 billion. The first phase of the Second Avenue Subway project involves building a new subway line with stations at 96th Street, 86th Street and 72nd Street in Manhattan, with a connection to the 63rd Street station on the Broadway Line. The $4.5 billion project, which has experienced delays and cost increases, is now expected to be completed in late 2016.

# MEDICAID REDESIGN TEAM

On January 5, 2011 Governor Cuomo issued Executive Order number 5 creating a Medicaid Redesign Team (MRT) charged with discovering ways to substantially reduce Medicaid spending in New York. The MRT is required by the Executive order to vote on a package of proposals by March 1, 2011 so they may be considered in budget negotiations.

On February 1, 2011 the Governor unveiled his Executive Budget Proposal, and as promised he included a wide range of cuts to state spending, including a $2.85 billion cut to the state share of Medicaid – but, with the exception of language requiring the state to limit program growth to the medical component of the Consumer Price Index, currently four percent - *no details exist on how the cut(s) would be accomplished.*

The Executive proposes total Medicaid All Funds, including the local share and recommended cuts, of $52.8 billion. If enacted, this would represent a decrease of $1 billion or 1.8 percent from SFY 2010-11 projected spending.

Absent any cost saving measures, projected Medicaid spending for SFY 2011-12 would reach $58.3 billion.

Medicaid enrollment is projected to reach 4.8 million people in SFY 2011-12. When Family Health Plus is included, which is also funded through Medicaid, the number of people reaches 5.2 million. By comparison, in April of 2000, Medicaid enrollment stood at 2.7 million individuals.

While the task of developing policies to cut Medicaid falls to the MRT, there are provisions contained in appropriation language that would authorize the Commissioner of Health to implement a plan to achieve the target should the MRT fall short. The plan would be developed by the Commissioner and the state Medicaid Director in consultation with the Commissioner of the Office of People with Developmental Disabilities (OPWDD), the Commissioner of the Office of Mental Health (OMH), and the Commissioner of the Office of Alcoholism and Substance Abuse Services (OASAS).

***Under the Governor's proposal, the Commissioner would be given virtually unlimited authority to implement the plan, utilizing a wide range of actions including the ability to modify law, without consulting the Legislature or gaining legislative approval.***

### The Medicaid Redesign Team

State officials, members of the legislature, and stakeholders comprise the 25 member MRT.

The MRT is currently holding meetings, hearings and forums throughout the state, gathering input and proposals from consumer, business owners and stakeholders. Proposals and comments are also being accepted electronically.

The focus of the Team is to review the Medicaid program and gather input from stakeholders from all health sectors along with consumers and business owners, and create a package of recommendations regarding specific cost saving measures and quality improvement.

While it is clear that the team is required to review the Medicaid program, gather information and vote on a package of proposals designed to meet a now specific Medicaid spending reduction, and to hold spending levels down in out years - the process of culling through the recommendations and information and creating the package of proposals is less so.

It is unclear who will ultimately determine which proposals will be included and there is little information, other than requiring cost savings and feasibility, regarding the criteria that will be utilized in making those decisions.

Under the Executive Order, the MRT is required to at least examine:

- Existing programs in New York and the nation that have resulted in Medicaid savings and improved quality;
- Existing programs in New York that consume a disproportionate share of Medicaid dollars; Opportunities in the Federal Patient Protection and Affordable Care Act that can strengthen both fiscal and health care delivery situation;
- New models of health care delivery to improve care management for individuals with complex health conditions; existing regulations that are outdated, redundant or hinder the modernization of Medicaid; and
- Potential cooperative efforts with the Federal government to improve coverage, cost and quality within the Medicaid program; and

A wide range of proposals have been forwarded by members of the MRT, stakeholders and consumers that including the following:

- Develop a package of regulatory reforms that lower costs for providers and improve quality;
- Focus on reducing costs in high-cost populations through demonstration programs;
- Transition beneficiaries into Managed Care; phase out all or a significant portion of fee-for-service over a number of years;
- Adopt a Uniform Assistance Tool for Long Term Care programs;
- Create an electronic health record for all Medicaid members that contains prescription drug and vital data; and
- Promote the sugar sweetened Beverage Tax.
- The possible restructuring of Medicaid to achieve short-term solutions and long term systematic changes.

**Medicaid in New York**

New York State spends more on Medicaid than any state in the nation. More alarming is the fact that we also spend about 70 percent more per recipient than any other state. The program represents more than a third of the entire State budget and is composed of a myriad of health programs that range from inpatient hospital care, to nursing home care, home care and other long term care as well as coverage for the mentally ill and developmentally disabled.

# PROPOSED PRISON CLOSURES – TASK FORCE

**<u>Proposed Prison Closures – Task Force</u>**:

The Executive Budget includes provisions relating to a prison closure task force. The Task Force would be created by Executive Order and tasked with recommending a reduction of 3,500 beds in medium and minimum correctional facilities and ultimately identify prisons for closure. Currently, there is a total bed capacity of 36,400 at medium and minimum security facilities.

According to briefing documents, the Task Force would have 30 days to make a recommendation with input from the Commissioner of Correctional Services on the types and number of excess beds. To date the Executive Order has not been issued. Specific information such as who the stakeholders on the Task Force are, when the Task Force takes effect, the process for making recommendations, the procedures and governance of the taskforce, the savings attributed to the specific facilities slated for closure, and the number of employees affected at those facilities is unknown.

Should the Task Force be unable to identify facilities for closure within the time period prescribed in the Executive Order, the Commissioner would be granted unilateral authority to implement a closure plan which could include the closure or restructuring of correctional facilities.

The rationale for the continuation of "right-sizing" the prison system is the declining prison population. Since 1999, the State's prison population has decreased from a high of approximately 71,600 inmates to under 56,300 a reduction of 15,300 inmates. The Executive projects that the inmate population will remain steady in SFY 2011-12.

In contrast, the number of Full-Time Equivalent (FTE) positions in the Department decreased by only 734 FTE during that same time period. However, this decrease in staff can be attributable to the public safety requirements imposed, such as the Sex Offender Management and Treatment Act (SOMTA) of 2007 and the Special Housing Unit (SHU) Exclusion Law. This law required additional programs, services and facilities for inmates with mental illnesses and disciplinary confinement sanctions. Moreover, as the prison population increased dramatically in the late 90s staffing was not adjusted accordingly.

The savings through "right-sizing" the prison system is estimated at $72 million; $60.5 million associated with the takedown of 3,500 beds and $16.2 million related to the elimination of 20 training classes for correctional officers (700 Full-Time Equivalent (FTE) positions). These reductions are offset by $5 million in costs associated with the reopening of consolidated beds. In addition, the Executive proposes that administrative staff at the Department of Correctional Services (DOCS) be reduced for a savings of $5 million along with the "right-sizing" of the correctional system.

**<u>One-Year Notification Statue – Repealer</u>**

Article VII legislation proposed with the Budget would repeal the statutory one-year prison closure notification and adaptive reuse plan, allowing the Commissioner of DOCS to accelerate the closure of a correctional facility. Under the proposal, the Chairman of the Urban Development Corporation (UDC) would be directed to prepare an economic transformation plan for the impacted community in consultation with the corresponding Regional Development Council no later than six months after the prison closure. The current one-year notification statute is detailed below.

The Executive also proposes that communities impacted by a prison closure would receive assistance from the new regional economic development councils, also to be created by Executive Order. Up to $100 million in capital is proposed to assist the impacted communities. The amount of funding to each community would depend upon the cost of the economic development project as opposed to being equally divided among the impacted communities.

***<u>Section 79-a of the Corrections Law Closure Notification</u>:***

- Provide notification of its intention to close any facility a year ahead of time, to: all local governments in which the correctional facility is located; all employee labor organizations operating with or representing employees of the correctional facility; and managerial and confidential employees within the correctional facility.

- Confer with the Department of Civil Service, the Governor's Office of Employee Relations and any other appropriate State agencies to develop strategies which attempt to minimize the impact of the closure on the State work force.

- Consult with the Department of Economic Development and any other appropriate State agencies to develop strategies which attempt to minimize the impact of such closures on the local and regional economies.

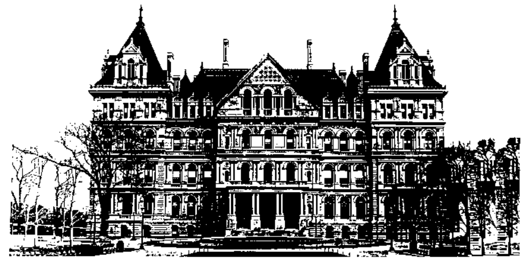
***<u>Section 79-b of the Corrections Law Adaptive Reuse Plan</u>:***

- Provide a report no later than six months prior to the effective date of closure of a correctional facility to the Commissioner of Economic Development, in consultation with the Commissioners of the Department of Correctional Services, Civil Service, the Division of Criminal Justice Services and the Director of the Governor's Office of Employee Relations on a reuse plan for any facility slated for closure.

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

The intent of the Prison Notification and Adaptive Reuse Plan by the Legislature was to give ample time for employees to either choose a different position within the system or relocate if necessary. In addition, the Adaptive Reuse Plan was intended to lessen the economic impact from the potential closure of any correctional facility. These provisions are repealed under the Executive's plan. The Executive budget provides for an economic transformation plan from UDC six months after the facility has closed. There are no provisions to address the community impact prior to closure.

# NEW YORK STATE JUVENILE JUSTICE REFORM



## FACILITY CLOSURES

***Reduce Youth Facility Capacity by Eliminating 12-Month Notification Closure Requirement:***

The SFY 2011-12 Executive Budget proposes to reduce total capacity by 376 beds, from 1,209 beds to 833, through unidentified closures and/or downsizings of State operated residential facilities. This action would reduce vacancy rates from 50 percent to approximately 25 percent and would also eliminate 371 Full Time Equivalent positions (FTE). These actions would generate savings of $22 million in SFY 2011-12 and SFY 2012-13. To achieve these savings, the proposal repeals the one-year closure notification requirement for youth facilities.

**Background**

The Office of Children and Family Services (OCFS) is responsible for the residential and community treatment of youth between 12 and 17 years of age that are placed by courts into OCFS custody. Currently, the Agency manages, supervises, and operates 23 residential facilities across the State employing approximately 1,960 workers.

In 2000, 2,220 youth resided in OCFS operated facilities, an all time high. Since then, the population in residential facilities has declined steadily as a result of more placements in privately run voluntary agencies and increased State and local spending for juvenile prevention and alternative to detention and residential placement programs. As of January 2011, only 641 youth were residing in State operated facilities. High system-wide vacancy rates resulted in a “right-sizing” of the system to achieve cost-savings measures and to improve the State’s ability to meet the needs of the youth. Since SFY 2007-08 a total of 18 residential facilities have been closed and four have been downsized through budgetary action.

OCFS has shifted away from the policy of placing youth outside of their communities upon intake, and instead are placing them in facilities closer to home to increase family and community involvement while in custody. According to census information approximately 360, or 56 percent, of the total youth in OCFS custody are from the New York City area. This policy change has left many of the upstate State-operated facilities vacant, and therefore have been primarily targeted for closures and downsizings.

***Federal Division of Justice Report***

In December of 2007, the Federal Department of Justice (DOJ) notified the Executive of its intent to conduct an investigation within four of the State’s juvenile justice facilities; the Lansing Residential Center, the Finger Lakes Residential Center, the Tryon Residential Center, and the Tryon Girls Residential Center. After several allegations of sexual misconduct and the use of unreasonable force by staff within the facilities, an investigation was ordered.

In August of 2009, DOJ issued a letter to New York State citing the findings of the investigations. Conditions at the four facilities violated several constitutional standards of care for the youth residing in the facilities. More specifically, the operating conditions failed to protect the youth from being harmed through the use of excessive force and restraints, and failed to provide youth with adequate mental health services.

The State worked with the Federal Attorney General's office to develop a plan of action in order to avoid litigation. In July of 2010 a formal agreement was reached. The settlement related specifically to the four facilities cited in the DOJ report, however OCFS vowed to eventually implement the recommended changes across all of the State operated juvenile justice facilities. The agreement required that a number of remedial measures be phased-in within two years, including improvements to policies and practices regarding the use of restraints, mental health care, the retraining of staff, and the reporting and investigation of allegations of staff misconduct.

The SFY 2010-11 Executive budget included an additional $18.2 million within the Youth Facility Program to increase staff-to-youth ratios, provide additional mental health services, and provide training to current and new employees in the four facilities cited in the DOJ report. This funding resulted in an additional 169 youth facility staff.

**Other SFY 2011-12 Budget Actions**

The SFY 2011-12 Executive Budget includes several proposals to reform the State's juvenile justice system in order to remain in compliance with the Federal DOJ agreement and to address excessive system wide costs to localities and the State. The net cost of enacting all components of the package would total $2 million in SFY 2010-11, and would increase to $3 million in SFY 2012-13.

***Restructure State Funding for Local Secure and Non-Secure Detention:***

The Executive Budget eliminates the current open-ended 49 percent State reimbursement for local-secure and non-secure detention effective June 30, 2011. Beginning July 1, 2011 a new $15 million Capped Detention Program would reimburse localities for 50 percent of local detention costs for high-risk youth for the remainder of the year. Further, the proposal eliminates Person In Need of Supervision (PINS) placements into local detention. The net savings associated with this proposal is $23 million in SFY 2011-12 and $51 million when fully annualized in SFY 2012-13.

***Create a Performance- Based Supervision and Treatment Services for Juveniles Program:***

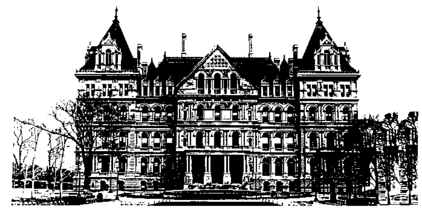
The Executive Budget creates a Supervision and Treatment Services for Juveniles Program. The program's intent is to divert youth from being placed in detention or residential care if they are at risk of, alleged to be, or adjudicated as juvenile delinquents. The $31.4 million program would take effect July 1, 2011 and would replace funding for existing alternative to detention, residential placement, and aftercare programs. The program would provide localities with a capped reimbursement for up to 62 percent of expenditures associated with eligible community-based programs. OCFS would be responsible for determining the distribution of funds based on historical youth placement information for the counties and the City of New York, and the performance measurements of their respective programs.

The proposed reforms are intended to reduce detention and residential placements by incentivizing localities to implement and invest in cost-effective alternative programs for youth offenders who do not pose a threat within the community. The average cost of detaining a single youth in a detention placement for 12 months is projected to be approximately

$270,000 in 2011. In contrast, alternative to detention or residential placement programs cost on average between $5,000 and $17,000 per year. While serving low-risk youth within the community is the more cost-effective option, defining high versus low risk, is not easily defined. Treating high-risk youth in a community setting may impose a risk to public safety and ultimately impose greater costs.

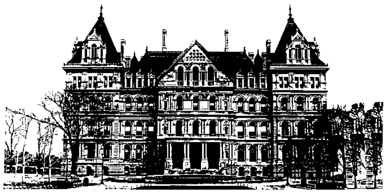
***Enhance Youth Facility Services:***

The Executive Budget includes an additional $26.1 million within the Youth Facility Program to improve staff-to-youth ratios in the areas of mental health, counseling, education, and direct care. This funding is intended to expand staffing ratio increases made at select facilities in SFY 2010-11 to the remaining facilities statewide.



# SECTION THREE

## SUMMARY OF ARTICLE VII LEGISLATION

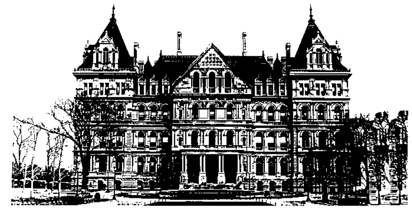


## SCHEDULE FOR LEGISLATIVE REVIEW
## OF THE 2011-12 EXECUTIVE BUDGET PROPOSAL

| DATE | LOCATION | TIME | TOPIC |
|---|---|---|---|
| February 7 | Hearing Room B | 10:00 AM | Local Government |
| February 8 | Hearing Room B | 9:30 AM | Environmental Conservation |
| February 9 | Hearing Room B | 9:30 AM | Public Protection |
| February 10 | Hearing Room B | 9:30 AM | Higher Education |
| February 14 | Hearing Room B | 9:30 AM | Economic Development |
| February 14 | Hearing Room B | 1:00 PM | Taxes |
| February 15 | Hearing Room B | 10:00 AM | Elementary & Secondary Education |
| February 16 | Hearing Room B | 9:30 AM | Human Services |
| February 16 | Hearing Room B | 1:00 PM | Housing |
| February 28 | Hearing Room B | 9:30 AM | Transportation |
| March 1 | Hearing Room B | 10:00 AM | Health / Medicaid |
| March 2 | Hearing Room B | 9:30 AM | Workforce Issues |
| March 2 | Hearing Room B | 12:00 PM | Mental Hygiene |

Schedule as of January 28, 2011

# APPENDIX



# SUMMARY OF THE IMPLEMENTING BUDGET BILLS

This appendix contains a summary of the implementing legislation submitted with, and required to enact the SFY 2011-2012 Executive Budget. The Governor's presentation consists of thirteen total bills, five appropriation and eight article VII bills. While this section provides a brief summary and highlights the fiscal impact for each of the eight article VII bills, any additional information on any of the provisions contained in these bills should be obtained through reference to the Executive's more complete Memorandum in Support which provides additional detail.

## 2011-2012 EXECUTIVE BUDGET BILLS

### Appropriation Bills

**S.2800/A.4000** State Operations
**S.2801/A.4001** Legislative & Judiciary
**S.2802/A.4002** State Debt Service
**S.2803/A.4003** Aid to Localities
**S.2804/A.4004** Capital Projects

### Article VII Bills

**S.2807/A.4007** Public Protection & General Government
**S.2808/A.4008** Education, Labor & Family Assistance
**S.2809/A.4009** Health & Mental Hygiene
**S.2810/A.4010** Transportation, Economic Development & Environmental Conservation
**S.2811/A.4011** Revenue
**S.2812/A.4012** Merge State Entities

### Freestanding Article VII Bills

**S.2813/A.4013** Gubernatorial Reorganization of Government Agencies and Functions Subject to the Approval of the Legislature Bill

Recharge New York Power Program

# 2011 NEW YORK STATE EXECUTIVE BUDGET
# PUBLIC PROTECTION AND GENERAL GOVERNMENT
# ARTICLE VII LEGISLATION
# S.2807/A.4007

**Part A - Extend Various Criminal Justice Programs that Would Otherwise Sunset.**

- This would extend twenty-one criminal justice programs until September 1, 2014. Without extensions, these programs would expire September 1, 2011. Historically, these provisions have been extended in three year increments. The provisions/programs include:
  - Psychological testing for correction officer candidates;
  - Local law enforcement assistance with state police;
  - Prison furlough programs;
  - SHOCK incarceration programs;
  - Alcohol and substance abuse treatment correctional annex programs;
  - Temporary release programs (work release, furloughs, leave of absence);
  - Residential substance abuse facilities;
  - Parole and conditional release fees;
  - Probation fees;
  - Alternatives to incarceration programs;
  - Mandatory court surcharges;
  - Ignition interlock device program;
  - Merit time programs;
  - Reduced inmate civil litigation filing fee;
  - Order of protection registry;
  - Closed-circuit television for vulnerable child witness system;
  - Sentencing Reform Act of 1995; and
  - Electronic court appearance program.

**Part B - Make Changes to Provisions Relating to the Disposition of Certain Monies Recovered by New York City County District Attorneys and Make Those Provisions Permanent.**

- This would allow the District Attorneys in New York City (City) to permanently retain a portion of recoveries they make before the filing of an accusatory instrument against a defendant. These recoveries would provide them with additional resources to pursue investigations. The current formula is based upon the cumulative amount of recoveries received by the district attorneys within a State fiscal year and for the past two years has directed a portion of those recoveries to the State and the City in equal portions. The extension of this program is projected to generate an estimated $75 million in revenue to the State in 2011-12. If the program were not extended it would expire on March 31, 2011.

**Part C - Eliminate the Prison Closure Notification Requirement and Modify the Type of Plan to be Developed in the Event of a Prison Closure.**

- This would eliminate the one year notice required prior to the closure of a prison as well as the requirement that the Department of Economic Development or any other appropriate State agencies, be consulted to develop strategies to minimize the impact of such closures on the local and regional economies. The adaptive re-use plan would be replaced with a new economic transformation program. This program would require the Chairman of the Urban Development Corporation to submit a plan in consultation with the regional development council representing the impacted community, and that it contain recommendations to minimize the economic impact of the closure on the community in which the closed facility is located. The Chairman would not be required to submit the plan until six months after the closure of the facility.
- Under current law, the Commissioner of the Department of Correctional Services is required to give notice one year prior to closing a correctional facility, and to prepare an adaptive re-use plan for the facility six months prior to closure.

**Part D - Eliminate Cell Surcharge Subsidy to a Revolving Loan Fund.**

- This would eliminate the required annual transfer of $1.5 million from the Statewide Public Safety Communications Account to the Emergency Services Revolving Loan Fund. The Emergency Services Revolving Loan Fund was established to assist local governments in financing firefighter and emergency response equipment such as ambulances and fire engines. It is structured as a revolving loan fund (i.e., payments of principal and interest are deposited back into the fund). The executive budget assumes sufficient fund balance without the annual transfer.

**Part E - Change the Compensation for the Commissioners of the State Liquor Authority, Other Than the Chairman, From an Annual Salary to Per Diem.**

- This would eliminate the annual salaries of the two non-chair commissioners of the State Liquor Authority (SLA), and would propose to pay them at a per diem rate of $260 dollars a day plus actual and necessary expenses. Presently, the Chair of the Commissioners of the SLA receives an annual salary of $120,800, while the two remaining commissioners receive a salary of $90,800 each. The SLA has broad statutory responsibility for processing and conducting thousands of license reviews, investigations and case examinations each year. The

SLA meets several times per month, and it operates as a revenue generating agency for the State. The executive budget assumes an annual savings of less than $181,600.

**Part F - Eliminate Certain Election Law Printing and Publication Requirements.**

- This would repeal the requirement that various items be published in paper form or in paid submission to local newspapers and would provide that said publications now be posted on the web sites for the State and county Boards of elections.
- Specifically repealed would be the requirements that:
  - The State Board of Elections (BOE) print copies of the Election Law each year;
  - The County Board of Elections publish the certified results in local newspapers;
  - The BOE publish proposed constitutional amendments three months before the election of a subsequent Legislature; and
  - The BOE publish proposed constitutional amendments in a newspaper in each county one week before they appear on the ballot.

**Part G - Provides for the Close-Out of Most Private Group Self-Insured Workers Compensation Trusts to Mitigate Potential Risk to the State Financial Plan and to Participating Employers.**

- This would close nearly all private Group Self Insured Trusts (GSITs) leaving only those groups which have the ability to post sufficient collateral to secure the liability of the members of the group. During the last few years, 19 GSITshave closed and another 17 are deemed insolvent. Municipalities would retain the ability to participate in GSITs, but the employers no longer participating would be required to procure insurance through traditional vehicles and would pay the assessments levied on those products. The Worker's Compensation Board would be required to cover the liabilities of the now-closed GSITs with the assessments charged, but this proposal could eliminate the creation of new losses.

**Part H - Change the Compensation for Commissioners of the State Civil Service Commission, Other Than the President, From an Annual Salary to Per Diem.**

- This would eliminate the salary for two of the commissioners but would continue to provide a salary to the President of the State Civil Service Commission. Those commissioners no longer receiving a salary would receive a $250 per diem and reimbursement for necessary expenses and travel. The executive budget estimates $133,000 could be saved by the elimination of these salaries.

**Part I - Reduce Aid and Incentives for Municipalities (AIM) Funding for Cities, Towns and Villages and Eliminate AIM for New York City.**

- This would make permanent the elimination of AIM funding to New York City, and would further enact a two percent reduction in remaining AIM funds. In dollar figures, this would amount to total AIM funds of $714.7 million, with $67.6 million provided for towns and villages, and $647.1 million provided for cities outside New York City. This would be a $321.5 million General Fund savings, broken down as follows: $301.7 million from New York City, $17.7 million from other cities and $2.1 million from towns and villages. The AIM funding was originally eliminated for the City of New York in the SFY 2010-11 enacted budget.

**Part J - Eliminate Video Lottery Terminal Aid to All Eligible Municipalities Other Than Yonkers.**

- This would eliminate the State aid granted to municipalities which host video lottery parlors, or racinos. Currently only counties which meet a poverty-level threshold receive the aid. When originally enacted each host community received a portion of the aid. This proposal would eliminate such aid permanently for all host communities except for the City of Yonkers.

**Part K - Create the Citizen Empowerment Tax Credit, the Citizens Re-Organization Empowerment Grants and the Local Government Performance and Efficiency Program, and Streamline the Local Government Efficiency Grant Program.**

- The **Citizen Empowerment Tax Credit** would be established to restructure the present "Local Government Efficiency Grant Program for Municipal Merger Incentives," in order to make funding available to provide a State fiscal incentive to local government for consolidation or dissolution. This newly restructured program would provide a bonus of up to 15 percent of the newly combined local government's tax levy. Any municipality receiving this incentive money would have to use at least 50 percent of such aid for property tax relief and the balance of such aid would be available for general municipal purposes.
- The **Citizens Re-organization Empowerment Grants** would provide up to $100,000 for local governments to recover costs incurred for studies, plans and implementation efforts, related to local government consolidation or dissolution activities.
- The **Local Government Performance and Efficiency Program** would be established to give awards to municipalities that have acted to improve the overall efficiency of governmental operations and who have produced quantifiable financial savings by reducing the tax burden of their citizens. Awards would be capped at the lesser of $5 million or $25 per person residing in the involved municipalities. The maximum cumulative grant award for any local government efficiency project would not exceed $250,000 per municipality, and in no case would such a project receive a cumulative grant award in excess of $1,000,000.

**Part L - Clarify the State's Obligation to Make Payments With Respect to Certain Lands.**

- The State recently purchased lands in the Hemlock and Canadice lake watersheds which are subject to payment in lieu of taxes agreements by the City of Rochester. The appropriation authority set forth in the Executive Budget would be clarified to ensure that the State could and would make payments to local governments that were previously made by the City of Rochester.

**Part M – Lapse Aged State and Local Reappropriations**

- This would amend the State Finance Law (SFL) to provide that all reappropriations, with the exception of reappropriations for capital projects funds and federal funds, lapse five years after the date upon which the original appropriation would lapse. Part M is intended to ensure that aged reappropriations would be eliminated thereby ensuring that appropriations would be used within a reasonable amount of time or be revisited by decision-makers.

**Part N – Authorize Transfers, Temporary Loans and Amendments to Miscellaneous Capital/Debt Provisions, Including Bond Caps**

Specifically Part N would:

- Authorize and direct the Power Authority as deemed feasible and advisable by its board of directors, to transfer $100 million to the general fund with at least $40 million to be transferred by June 30, 2011 and the remaining $60 million to be transferred by January 31, 2012;
- Authorize and direct New York State Technology and Academic Research, (NYSTAR), as deemed feasible and advisable by its board of directors, to contribute $500,000 to the general fund commencing April 1, 2011;
- Repeal a portion of the 2009-10 budget that would have provided the scheduled transfer of $85 million in funds for certain community projects during SFY 2011-12;
- Authorize the Comptroller to deposit reimbursements for certain capital spending from multiple appropriations contained in various chapters of the laws of 2001 through 2011 into various funds, including the Capital Projects Fund;
- Amend State Finance Law (SFL) §68-b(8) to make permanent the ability of the Dormitory Authority of the State of New York (DASNY) and the Empire State Development Corporation (ESDC) to issue Personal Income Tax (PIT) Revenue Bonds for any authorized purposes;
- Amend SFL § 68-a(2) to extend the authorization to issue Mental Health Bonds under the PIT credit structure;
- Amend of § 55 of part RR of Chapter 57 of the Laws of 2008 to make permanent provisions in exiting law relating to the treatment of refunding with variable rate obligations or swaps;
- Increase the bond caps for financing several projects including increasing the cap for financing (1) environmental infrastructure projects from $903 million to $916 million, (2) capital

projects for the Division of Military and Naval Affairs from $18 million to $21 million, (3) improvements to State office buildings and other facilities from $165.8 million to 205.8 million, (4) Certificates of Participation from $751 million to $784 million, (5) correctional facilities from $6.164 billion to $6.490 billion, (6) Youth Facilities Improvement Fund from $379.5 million to $429.5 million; (7)housing programs from $2.532 billion to $2.636 billion, (8) SUNY student dormitory facilities from $1.230 billion to $1.561 billion, (9) local highway projects from $6.287 billion to $6.695 billion, and (10) library facilities from $70 million to $84 million;

- Amend provisions relating to the governance of the Board of the Local Government Assistance Corporation and timing of certain provisions relating to the competitive sale of bonds; and
- Amend various economic development bond caps for the purpose of reallocating $231 million of existing bonding authorizations into a new bond cap authorizing the financing of project costs for the Regional Economic Development Council Initiative, the Economic Transformation Program and other associated State costs.
- Similar legislation is enacted annually to authorize the transfer of funds budgeted in the Financial Plan (such transfers do not have permanent statutory authorization), and to provide for other transactions necessary to maintain a balanced Plan. In addition, the SFL requires statutory authorization for funds and accounts to receive temporary loans from the State Treasury. Similar provisions were enacted to implement the SFY 2010-11 Budget, and they must be extended to implement the SFY 2011-12 Budget.

### Part O – Repeal the Community Projects Fund

- This would eliminate the Community Projects fund accounts and transfer undisbursed monies to the General Fund after September 16, 2011. The Community Projects Fund was created in 1996 to account for spending and appropriations made to individual civic, cultural, religious and charitable organizations as well as municipalities and local school districts. On average, Community Projects Fund spending totals roughly $155 million a year. In 2009-10, spending was roughly $141 million.

# 2011 NEW YORK STATE EXECUTIVE BUDGET
# EDUCATION LABOR AND FAMILY ASSISTANCE
# ARTICLE VII LEGISLATION
# S.2808/A.4008

**Part A – Amend the Education Law to Realign School Aid and Make Other Changes Necessary to Implement Education-Related Programs in the Executive Budget.**

- This would alter the State School Aid constructs in the following areas:
- **Contract for Excellence:** Would allow school districts which previously participated in the Contract for Excellence Program to continue to do so in the school year 2011-2012, however, with reduced investments (Gap Elimination Adjustment) unless they identify as in "good standing".
- **Gap Elimination Adjustment (GEA):** Would provide a new GEA formula calculated for each school district separately, and would alter some of the definitional requirements. School Aid would be reduced progressively by the percentage of the GEA. The Executive budget estimates that GEA would save almost $2.8 billion.
- **State Supported Schools for the Blind and Deaf:** Would expand the classification of State Supported Schools by adding Approved Private Non-Profit Schools for The Blind and Deaf and new provisions on the regulation of leases, subleases and other agreements between the Dormitory Authority and Approved Private Non-Profit Schools for the Blind and Deaf.
- **Transportation Aid:** Would predicate transportation aid in 2013-14 school year on successful implementation of cost-effective transportation management programs by the end of 2012-13 school year. Sharing transportation services with other local government entities would be optional for school districts. In case of noncompliance, aid would be reduced beginning in the school year of 2013-14.
- **Building Aid:** Would create a new competitive eligibility process for construction aid, based on the needs of the project, age of the building and overall fiscal capacity of the district. The proposal would also establish a 6-tier classification of projects, subject to renovation or replacement.
- **Foundation Aid and Other Operating Support:** Would maintain current funding levels for 2011-12 and 2012-13 school years in Foundation Aid, High Tax Aid, Universal Prekindergarten, Academic Achievement Grant, Supplemental Educational Improvement Grant, Academic Enhancement Aid and Supplemental Public Excess Cost.
- **Roosevelt Union Free School District:** This part would include a grant of $6 million for the Roosevelt School District for 2011-12 school year.
- **Library Aid:** Would permanently authorize the Commissioner of the State Education Department (SED) to disburse the formula grants to public library systems, reference and

research library resources systems, and school library systems operating under approval plan of service pursuant to previous distribution methods.

- **Claiming Limits:** Would limit the State's liability for School Aid to the claims and data submitted by the statutory deadlines, which is used to construct the Executive budget. Claims which are the result of a court order or judgment, if payments were to be made prior to 2010-11 school years would be eligible for payment as long as the proper filing guidelines are adhered to and claims are within the parameters of previously established statutes.
- **School District Charter School Payments:** Would maintain per pupil tuition payments by school districts to charter schools at 2010-2011 levels for 2011-2012 and 2012-2013 school years.
- **Summer School Special Education:** Would propose a Foundation Aid State sharing ratio calculated for each district instead of the 70 percent flat rate of State reimbursement. In addition, the priority of payments would be given to the 2011-12 school year claims for services, all prior claims for State reimbursement would be limited to $100 million during the upcoming fiscal year.
- **County Vocational Education and Extension Board:** Would limit vocational and extension board reimbursement to courses that have been submitted for review and approval to SED on or before July 1, 2010. A method for calculating reimbursement by the Commissioner would also be provided. The proposal would further eliminate payment for late claim submissions for vocational education and extension boards.
- **Board of Cooperative Educational Services (BOCES):** Would limit reimbursement to approved costs, incurred on or after July 1, 2011, and would be equal to the State sharing ratio for total foundation aid calculated for each school district, which would be no less than 10 percent and no more than 90 percent of costs. Non-instructional shared services provided by BOCES would no longer be reimbursed by the State.
- **Access to Employee Benefit Accrued Liability Reserve Funds:** According to this Part, school district boards would be authorized to withdraw excess amounts of money from the Employee Benefit Accrued Liability Fund to support ongoing school programming during 2011-12 school year. However, the amount could not exceed the GEA.

**Part B - Authorize Competitive Grants to Reward School Districts with the Most Improvement In Student Performance and/or Management Efficiencies.**

- Would create two new competitive award programs to ensure efficiency and scholastic achievement:
- **School District Performance Improvement Award Grant:** $250 million in competitive grants would be awarded to school districts that demonstrate significant improvements in student performance outcomes. Funding and objectives would be drawn from the Federal Race to the Top award. The grants would be awarded for the 2011-12 school year.

- **School District Management Efficiency Awards Program:** $250 million in competitive grants would be awarded to school districts that undertake long-term structural changes that would reduce costs and improve efficiency. Awards would be granted during the 2011-12 school year.

**Part C - Eliminate the Statutory Authorization for the New York State Theatre Institute and Provide for the Transfer of its Rights and Property to the Office of General Services.**

- This would eliminate the enabling legislation for the New York State Theatre Institute (NYSTI) which was terminated by its board of directors in late December, 2010. This legislation, which would repeal the enabling legislation and funding mechanism, would also ratify the action taken by the Board of Directors in transferring property and rights to the Office of General Services(OGS), which has been the receiver of the property since January 1, 2011.

**Part D - Enhance Flexibility for SUNY and CUNY in the Areas of Procurement and Participation in Public-Private Partnerships.**

**Sub-Part A**

- **Property Rights:** Would propose that the trustees of SUNY may acquire property through the additional means of acceptance of conditional gifts, grants, devises or bequests. The trustees would also be authorized to lease property to other entities for up to fifty years in furtherance of the educational and corporate functions of the university, so long as the lease does not interfere with the primary missions of the campus. All agreements under this legislation would be subject to Minority and Women-owned Business Enterprise (MWBE) provisions, prevailing wage rates, indemnification clauses, reverter clauses and project labor agreements. The trustees would also able to sell, lease or convey personal property in the custody of the State University.
- **State University Asset Maximization Review Board:** Would be created for the purpose of unanimously approving or denying all leases and participation in public-private partnerships under specified timelines. The Board would consist of three members, one chosen by the Governor, one upon recommendation of the Temporary President of the Senate, and one upon the recommendation of the Speaker of the Assembly. Two non-voting representatives would be appointed by the Governor upon recommendation of the Senate Minority Leader and the Assembly Minority Leader. The Comptroller, the Attorney General, the President of the AFL-CIO, and the Director of MWBE would also be entitled to designate an ex-officio non-voting representative.
- **State University Construction Fund (SUCF):** Conforming to the existing public authority guidelines, the law governing the SUCF would be amended to give SUCF an enhanced ability to implement capital projects. When appropriate, and under limited circumstances, SUCF would be authorized to use alternative construction delivery methods.

  - SUCF procurements would be subject to procurement guidelines annually adopted by the fund trustees.
  - SUCF could waive the requirement of a performance bond and/or a bond for contracts with estimated expenses of less than $250,000.
  - SUCF would have greater discretion in meeting public notice requirements for publication of procurement opportunities.
  - The awarding of contracts pursuant to the public letting would no longer be subject to approval by the Attorney General or the State Comptroller.
  - Would further permit construction and financing by the Dormitory Authority of the State of New York (DASNY) of facilities for the benefit of SUNY's state operated colleges, community colleges, any other in-state institution for higher education (other than a state operated institution or statutory or contract college under the jurisdiction of SUNY) that is authorized to confer degrees by law or by the Board of Regents, or any non-profit institution or hospital that is approved by the Department of Education and engaged in the training of nurses. Any projects undertaken pursuant to these provisions would be subject to prevailing wage, MWBE, and competitive process requirements.
  - The higher education facilities would be required to assume full financial responsibility for the projects.
- **Direct Leasing Authority:** SUNY would be authorized to lease facilities within Albany County directly.

**Sub-Part B**

- Would allow the trustees of the SUNY and CUNY to enter into purchase contracts, service contracts, or construction contracts without prior approval of Office of General Services (OGS). Nor would they need to obtain prior approval for such contracts from the Office of the State Comptroller (OSC). OSC would continue to conduct post-audits of these contracts.
  - Trustees would no longer be permitted to award contract extensions for campus transportation without competitive bidding.
- Would allow SUNY and CUNY trustees to issue cash advances to purchase materials where the amount of a single purchase does not exceed $1,000, this would be an increase from the current amount of $250.
- Would require the SUNY Chancellor, in conjunction with the Office of the State Comptroller, to develop protocols and processes for procurement, and reporting requirements to measure the efficiency of the removal of the existing oversight requirements. An annual report would be submitted on its procurement process to the Director of the Division of Budget, OSC, the Legislative leaders, and the Chairs of the Assembly and Senate Higher Education Committees together with any recommendations to improve the efficiency of the procurement process.

- Would eliminate the prior approval of the Attorney General for leases between SUNY and its alumni.
- The City University Construction Fund and DASNY would be able to implement capital projects through the use of alternative construction delivery methods, versus current law, which only allows delivery mechanisms by "design, bid, build."

**Sub-Part C**

- Would allow SUNY hospitals to engage in managed care networks with other hospitals, not-for profit or for-profit partners as is determined to be beneficial to the hospital, subject to guidelines issued by the trustees regarding awarding of contracts and conflict-of-interest. No other prior approval would be required for contracts for goods or services, revenue contracts, or real property and related facilities transactions for such hospital.

**Sub-Part D**

- Would require a report by the trustees annually to the Executive and Legislative leaders regarding the effectiveness of this act, in both the progress of SUNY and CUNY in competing with top research universities as well as the impact on the economic well-being of the State.
- **Sunset: All sub-parts** would expire on June 30, 2016. Any long-term contracts currently in effect under the previous public building law, which expired in 2005, would be preserved and unchanged by this amendment.

**Part E - Reduce Maximum Tuition Assistance Program (TAP) Award for Students Matriculated in Certain Two-Year Degree Programs to $4,000.**

- This would reduce the maximum Tuition Assistance Program (TAP) award for students enrolled in two-year degree programs from $5,000 to $4,000. This reduction would not apply to students seeking a certificate or degree in nursing. The Executive budget assumes $11.2 million in savings for SFY 2011-12 and $16 million in savings annually thereafter.

**Part F - Include Pension and Annuity Income for Tuition Assistance Eligibility Determinations.**

- This would provide that the calculation of income for purposes of the Tuition Assistance Program (TAP) would include the private pension income which is presently excluded from taxable income (up to $20,000). The Executive budget assumes savings of $4.2 million in SFY 2011-12 and $6.0 million annually thereafter.

**Part G - Amend the Eligibility Requirements for the Tuition Assistance Program (TAP) as it Relates to Students in Default on Certain Student Loans.**

- This would modify the award eligibility criteria for the Tuition Assistance Program (TAP) by amending the Education Law to eliminate TAP eligibility for all students who are in default on any New York State or Federal student loan, regardless of whether or not the loan is guaranteed by HESC. Present law only disqualifies students who are in default on HESC guaranteed loans. The Executive budget assumes savings of $3.6 million in SFY 2011-12 and $5.2 million annually thereafter.

**Part H - Continue Tuition Assistance Award (TAP) Schedule for Students Who are Married with No Children.**

- This would make permanent the reduction in TAP for students who are married with no children. The Education law created a TAP award schedule that would provide married students with no children an award of $5,000, but provide single adult students with no children an award of $3,025. In 2010, as part of the budget, the award to married students was reduced to $3,025. This language would expire in April 2011. The Executive budget expects this reduction of the award to generate $5.4 million in savings for SFY 2011-12 and $7.9 million annually thereafter.

**Part I - Increase Academic Standards for Non-remedial Tuition Assistance Program Recipients.**

- This would require TAP recipients (other than remedial students) to earn a total of 15 credits (minimum) and a 1.8 grade point average (GPA) by the end of their second semester. The GPA would increase to a 2.0 by the end of the program and the credit requirements would similarly increase during the course of study. The Executive budget assumes savings of $4.4 million in SFY 2011-12 and $8.9 million annually thereafter.

**Part J - Eliminate Tuition Assistance Program Eligibility for Graduate Students.**

- This would permanently eliminate Tuition Assistance Program (TAP) eligibility for graduate students. The Executive budget assumes $2.0 million in savings in SFY 2011-12 and $ 2.8 million annually thereafter.

**Part K - Extend the Regents Physician Loan Forgiveness Program Until the End of the 2015-16 Academic Year.**

- This would extend the Regents Physician Loan Forgiveness Program until the end of the 2015-16 academic year. The Executive budget assumes the cost of this part to be $3.9 million in SFY 2011-12 and $1.6 million annually while in effect.

**Part L - Extend the Patricia K. McGee Nursing Faculty Scholarship and the Nursing Faculty Loan Forgiveness Incentive programs Until 2015.**

- This would extend the Patricia K. McGee Nursing Faculty Scholarship and the Nursing Faculty Loan Forgiveness Incentive programs until June 30, 2016. These programs expired on June 30, 2010. The Executive budget assumes the cost of this bill to be $3.8 million in SFY 2011-12 and $2.6 million annually thereafter.

**Part M - Extend the Regents Licensed Social Worker Loan Forgiveness Program Until June 30, 2016.**

- This would extend the Regents Licensed Social Worker Loan Forgiveness Program until June 30, 2016. The program is currently set to expire June 30, 2011. The Executive budget assumes the cost of the program to be just under $1 million for SFY 2011-12.

**Part N - Establish STAR Program Cost Containment Measures.**

- This would establish two main reforms: 1) sets a tax cap on each school district's tax benefit or its "portion" at two percent above the tax benefit applicable in the preceding year, (2) encourages property owners to renounce and repay any previously-granted property tax exemptions to which they were not entitled. Voluntary repayment of such property and a $500 penalty would exempt property owners from further sanctions.
- Additionally the Commissioner of Taxation and Finance would be authorized to adopt a uniform statewide system of parcel identification numbers and a uniform statewide assessment calendar on or after January 1, 2013

**Part O - Better Align Committee on Special Education (CSE) Maintenance Cost Shares:**

- This would shift maintenance costs from the State to the child's school district of residence when a district's Committee on Special Education decides to place a child in a residential school based on the inability of the original school district to meet a child's needs.
- Reimbursement by a child's school district for the placement of a child with a disability in a residential school by the school districts Committee on Special Education would be increased from 20 percent to 56.8 percent. This would reduce the State's maintenance costs to zero; the remaining 43.2 percent of costs are paid by the local social services district.

**Part P - Establish the Primary Prevention Incentive Program.**

- This would restructure prevention services by eliminating line-item allocations to established programs and creates a new Primary Prevention Incentive Program for which these, and new programs would have to compete for funding. If selected, the State would reimburse municipalities up to 62 percent of costs for outcome based preventive programs approved by Office of Children and Family Service (OCFS). This restructuring would be projected to produce $35.4 million in General Fund savings. Currently the following programs are funded by line-item allocations: the Healthy Families New York Home Visiting Program; Hoyt Trust Fund (Family Violence Prevention); Kinship Contract Program; Community Optional Preventive Services; Youth Development and Delinquency Prevention; Special Delinquency Prevention Program; Runaway Homeless Youth Act; Child Protective Caseworker Caseload Ratio Funding; and Settlement Houses.

**Part Q - Establish Juvenile Justice Reforms.**

- This would eliminate the 12-month notice requirement for juvenile facilities. Current law requires the notice prior to instituting significant service reductions, public employee staffing reductions or the transfer of operations to a private or not-for-profit entity. Additionally, they would cap the amount available for reimbursement for local secure and non-secure detention, and allow municipalities to claim up to 50 percent of costs associated with such detention. The proposal would further eliminate local detention placement for Persons in Need of Supervision (PINS), reimbursement would only be available for youth designated as high risk by OCFS. It would create the Supervision and Treatment Services for Juveniles Program, a 62 percent reimbursement for municipalities for services to divert youth at risk, alleged or adjudicated to be delinquents from placement in detention or residential programs.

**Part R - Modify the Fee Structure for Statewide Central Registry (SCR) Clearance Checks.**

- This would increase the fee from $5 to $60 for a search of the SCR for prospective employees who work alone with children. It would no longer exempt applicants to become a child day care provider, or its employees from paying the $60 fee. State Law requires that individuals who work alone with children receive clearance checks through the SCR database as a condition of employment.

**Part S - Authorize the Pass-Through of any Federal Social Security Income (SSI) Cost of Living Adjustment Which Becomes Effective on or After January 1, 2012.**

- This would set the actual dollar amounts of the 2011 Personal Needs Allowance (PNA) and the standard of need for eligibility and payment of additional State payments. It would also authorize those amounts to be automatically increased in 2012 by the percentage of any federal SSI COLA which would become effective within the first half of calendar year 2012. The pass-through of any 2012 COLA authorized by this bill is anticipated by SSI recipients and congregate care providers alike, and helps offset rising cost-of-living expenses. If not authorized, there would be no authority to provide SSI recipients with the full amount of any federal increase plus a State supplement at the current level. Legislation to effectuate the federal SSI COLA has been enacted annually since 1984.

**Part T - Strengthen Compliance With Public Assistance Work Requirements.**

- This would institute a three tier sanction format for non-compliance with federally mandated work requirements. For the first failure to comply, the current sanction would be instituted – reduction of the award by a pro-rata share with a full resumption of benefits upon compliance. For the second failure to comply, the entire award would be terminated and upon compliance and reapplication, the entire award would be reinstated. For the third or more failure to comply, the entire award would be terminated and upon compliance and reapplication, a pro-rata share of the award would be reinstated for a period of six months with full reinstatement thereafter.
- This would require the social service district to provide more notice and make greater efforts to resolve the non-compliance prior to sanctions. A failure to enforce such work requirements could result in significant fines imposed upon the State. This part would take effect on October 1, 2011 and expires on September 30, 2013.

**Part U - Delay the Scheduled Public Assistance Grant Increase.**

- This would delay a third increase in the non-shelter portion of the public assistance grant until July 2012. This increase is currently scheduled for July 2011 and would have raised the grant to $388. The monthly public assistance benefit is composed of a shelter and non-shelter portion. The shelter portion varies based on family composition and county of residence. The non-shelter portion is a fixed amount composed of a basic allowance, a home energy allowance and a supplemental home energy allowance. The Executive budget assumes $29.3 million in General Fund savings.
- In 2009, as part of the budget, a 10 percent increase each year over a three year period was enacted. The first increase was implemented in July 2009 and raised the non-shelter portion of the grant from $291 to $321 for the average public assistance household. The second increase was implemented in July 2010 and raised the non-shelter portion of the grant to $353.

**Part V - Consolidate the Neighborhood Preservation Program and Rural Preservation Program Into a Single, Competitive, Performance-Based Program.**

- This would repeal the Neighborhood Preservation Program (NPP) and the Rural Preservation program (RPP) and create a single competitive based program to be known as the Neighborhood and Rural Preservation Program. Under the new law eligible applicants would be awarded funding based on criteria to be established by the commissioner of the Division of Housing and Community Renewal. The bill would establish a $500,000 cap on awards made under the program and would also allow for more than one corporation to jointly file for funding.

**Part W - Make permanent the Unemployment Insurance (UI) Interest Assessment Surcharge.**

- This would make permanent the authority of the Department of Labor to assess the Interest Assessment Surcharge. This surcharge is levied on each employer who pays unemployment insurance and pays interest on any funds advanced by the federal government for the payment of unemployment insurance. The current authorization is scheduled to expire on December 31, 2011.

# 2011 NEW YORK STATE EXECUTIVE BUDGET
# HEALTH AND MENTAL HYGIENE
# ARTICLE VII LEGISLATION
# S.2809/A.4009

**Part A - Improve Public Health Services and Achieve Savings by Modifying Elderly Pharmaceutical Insurance Coverage, Early Intervention, and General Public Health Work, and Implementing Various Other Changes.**

- This Part would make changes to the Public Health law by:
- Eliminating the Medicare Part D premium assistance payment and deductible credit currently covered by EPIC.
- Mandating EPIC participants to be enrolled in a Medicare Part D plan.
- Limiting EPIC coverage to ***only pay for drugs when a Medicare Part D enrollee has reached the doughnut hole*** (coverage gap). This section would become effective on January 1, 2012.
- Reducing Early Intervention (EI) rates by 10% across the board and making substantial changes to the program by:
    - Requiring EI service providers, who receive more than $500,000 in annual Medicaid revenue for EI services, to seek reimbursement for services directly from Medicaid before applying for payment from municipalities. Current language requires providers in general to seek third party payment, while the municipality is deemed the provider for the purposes of seeking Medicaid reimbursement.
    - Maximizing commercial insurance reimbursement for EI services by prohibiting insurance companies from denying claims for various reasons including: prior authorization requirements, the location where services are provided, the duration of the condition, the likelihood of significant improvement, or the network status of the service provider.
- Eliminating optional services for the General Public Health Work programs (GPHW) Program. Current Optional Services are: medical examiners, EI service coordination, dental services, home health services, long term care, EMS, other environmental services, radioactive materials licensing, radioactive equipment inspection and housing hygiene.
- Creating a new Local Competitive Performance Grant Program for priority health initiatives by authorizing the Commissioner of Health to make grants and enter into contracts with public, non-profit or private entities. Funding for the new competitive program would be achieved by reducing financial support for one program and eliminating funding for 27 other existing programs.
- Creating a Local Competitive Performance Grant Program for priority initiatives in aging and authorizing the Director of SOFA to make grants and enter into contracts with public, non-

profit or private entities. Funding for the new competitive program would be achieved by eliminating funding for 11 existing public health programs.

- Delinking funding of the Empire State Stem Cell Fund authorized by the Health Care Reform Act (HCRA) from any potential insurance plan conversion. When the Stem Cell Fund was enacted in the SFY 2007-08 budget, $500 million in funding was derived from a potential conversion of an insurance plan from non-profit status to for-profit status. Because of adverse market conditions that conversion has not yet occurred.
- Updating and clarifying language and cost components of the methodology used to determine fees that support DOH's oversight of clinical laboratories and blood banks.
- Authorizing the Commissioner of Health to distribute funds under the Health Care Efficiency and Affordability Law for New York (HEAL-NY) program through grants, to general hospitals and nursing homes to assist with closures, mergers and restructuring. These disbursements would be funded from current unencumbered HEAL-NY funds.
- Making permanent the increases in certain penalties for violations of the Public Health Law or accompanying regulations that were enacted in the SFY 2007-08 budget. Revenue from the increases would continue to be dedicated to support the patient safety center.
- Enacting a two year extension for provisions allowing the use of Office of Professional Medical Conduct (OPMC) funds for activities that support patient safety initiatives.
- Making various other changes to make permanent or extend other previously enacted provisions.

**Part B - Suspend Implementation of a New Nursing Home Reimbursement Method and Extend the Reimbursement Cap, Authorize Certain Medicaid Payments and Extend Authorization to Collect Nursing Home Assessment Revenue.**

This Part would:

- Authorize supplemental Medicaid payments for professional services provided by physicians, nurse practitioners, and physician assistants participating in practice plans affiliated with SUNY hospitals. Stipulates that SUNY would be responsible for payment of 100% of the non-federal share for the supplemental non-Medicaid payments.
- Require hospitals to submit additional data to the Department of Health (DOH) for the purpose of calculating provider-specific disproportionate share (DSH) hospital caps, in accordance with Federal requirements.
- Suspend implementation of the nursing home rebasing methodology until July 1, 2011; rebasing is retroactive to April 1, 2009. When rebasing becomes effective, nursing homes would receive 27 months of payments under that rate structure. Also going into effect would be various other reimbursement rate changes such as Medicaid only case mix, trend reductions, a banking adjustment and the scale-back to $210 million (also termed a rate cap of $210 million) that would have an impact on facility specific rates.
- Extend the nursing home rebasing annual scale-back to $210 million through March 31, 2012.

- Authorize Medicaid payments for nursing homes with discrete units for treating patients with Huntington disease; this would only impact the Terrence Cardinal Cook Health Care Facility in New York City. This funding had been passed through St. Vincent's Hospital; with that hospital's closure last year, Cardinal Cook would receive direct funding for this program.
- Allow prior year Medicaid payments to be made to adult day health care providers treating patients with AIDS. According to the Division of Budget, this rate increase would be to make up for a past COLA that was ultimately not allowed by the federal government due to a lack of room under the clinic Upper Payment Limit (UPL) which has since been adjusted upward.
- Permanently extend authorization to collect the six percent nursing home gross receipts assessments. The Medicaid reimbursable assessment has been in place since 2002 when the legislature enacted health care workforce recruitment and retention funding through amendments to HCRA.
- Limit Medicaid spending growth to an annual rate that at or below the 10-year rolling average of the medical component of the Consumer Price Index (CPI); currently at four percent.

**Part C - Extend the Health Care Reform Act (HCRA) for Three Years.**

This Part would extend HCRA for three years. Currently HCRA is scheduled to sunset on March 31, 2011. Effective date April 1, 2011. More specifically, it would:

- Extend current Medicaid inpatient hospital reimbursement methodology as well as the collection and allocation of HCRA surcharges for three years. Extend the allocation of HCRA surcharge dollars between the Hospital Bad Debt and Charity Care (BDCC) Pool and the Health Care Initiatives Pool.
- Extend HCRA provisions for three years to fund the various administrative costs of the Department of Health, from various HCRA pools, to assist in the implementation and administration of HCRA programs.
- Extend the authorization for the collection of the Covered Lives Assessment for three years. Include an increase in the assessment level of $5 million to reflect the inclusion of assessments from out-of-state plans approved in the SFY 2010-11 budget.
- Extend the Health Care Initiatives allocations and Tobacco Control and Insurance Initiatives allocations for three years.
- Extend for three years the State's authority to transfer funds from HCRA to the General Fund for purposes related to subsidizing Health Care Efficiency and Affordability Law for New Yorkers (HEAL-NY) capital grants and debt service costs; also modifies allocation.
- Extend the authorization for certain provisions historically extended with HCRA including Hospital Admission Billing, the Ambulatory Care Pilot and the Council on Health Care Financing.
- Extend the allocations for the Rural Heath Network Development grant program and the allocations for the Rural Health Care Access Development program for three years.

- Extend the Physician's Excess Medical Malpractice Program for three years.
- Extend the Primary Care Case Management Program, the Upstate Personal Care and Home Care Workforce Recruitment and Retention Programs, and the Entertainment Industry Worker Insurance Demonstration Program for three years.
- Include a three year extensions for Area Health Education Centers (AHEC), the Empire Clinical Research Investigator Program (ECRIP) and the Doctors Across New York program which includes programs such as the Physician Loan Repayment and Practice Support Programs including:
  - Ambulatory care training: $4,300,000 each state fiscal year for April 1, 2011 through March 31, 2014;
  - Physician Loan Repayment Plan: $1,700,000 each state fiscal year for the period April 1, 2011 through March 31, 2014.
  - Physician Practice Support: $4,300,000 each state fiscal year for the period April 1, 2011 through March 31, 2014.
  - Study on Physician Workforce: $516,000 each state fiscal year for the period April 1, 2011 through March 31, 2014.
  - Diversity in Medicine-Post Baccalaureate Program: $1,700,000 each state fiscal year for the period April 1, 2011 through March 31, 2014.
  - Community based training for medical students $1,320,000 each fiscal year for the period April 1, 2011 through March 31, 2014.
  - Post Secondary Training for Healthcare Professionals who Achieve Specific Program Outcomes: $880,000 each state fiscal year for the period April 1, 2011 through March 31, 2014.
- Extend the authorization for State-only grant payments for clinic bad debt and charity care for three years.
- Extend hospital indigent care payments through December 31, 2014.
- Clarify that certain private practice physicians who bill discretely in a hospital or clinic will not be required to pay HCRA surcharges.

**Part D - Extend Various Provisions of the Public Health, Social Services and Mental Hygiene Laws, Including Continued Authorization of Previously Enacted Medicaid Savings Initiatives.**

This Part would permanently extend:

- authorization for up to $300 million annually for nursing home "upper payment limit" (UPL) payments for non-state operated public nursing homes (expires March 31, 2012);
- authorization for "intergovernmental transfer" (IGT) payments to SUNY, county, and non-New York City "disproportionate share (DSH) hospitals;"
- provisions relating to Medicaid capital cost reimbursement and removes references to Medicare that are no longer relevant. Includes a permanent extension (amendment needed) for appropriately allocated capital costs, a permanent extension (amendment needed) for reducing reimbursement for capital over-budgeting, and a permanent extension (amendment needed) for eliminating reimbursement for staff housing;
- the exclusion of the 1996-97 trend factor from nursing home and inpatient rates.
- the .25 percent trend factor reduction for hospitals and nursing homes;
- a limitation on the reimbursement of the long-term home health care program administrative and general costs to a statewide average;
- certain income and benefit expansions relating to Child Health Plus and facilitated enrollment;
- authorization for partially capitated managed care plans to provide primary care and preventative services to Medicaid recipients as well as HIV special needs plans (Expires March 31, 2012);
- authorization for the Medicaid program, subject to the availability of Federal financial participation, to cover Medicaid Managed Care (MMC) premiums for the six-month period beginning with enrollment in a MMC plan, even if the enrollee loses eligibility for Medicaid before the end of such period (Expires March 3, 2012);
- the $1.5 million administrative and general cap on certified home health care agencies;
- the Medicaid managed care program; and
- Medicaid co-payments.

This Part would also:

- Extend authorization for bad debt and charity care allowances for certified home health agencies through 2013.
- Extend the requirement that nursing homes, hospitals, certified home health care and long-term home health care providers maximize Medicare revenues through February 1, 2013.
- Extend through June 30, 2013 the requirement that parties to a contract between a hospital and managed care organization (MCO) continue to abide by the terms of the contract for two

months from the effective date of contract termination or non-renewal ("cooling off period"), unless certain circumstances are met (Expires June 30, 2011).

- Extend authorization for the Commissioner of Health to establish utilization thresholds for Medicaid services through July 1, 2014.
- Continue, for two years, the statutory requirement that establishes limited licensed home care services agencies in adult homes or enriched housing programs as providers of personal care and limited medical services.
- Extend the managed care pharmacy carve-out through March, 31, 2014

**Part E - Suspends, Rather than Terminates, Medicaid Eligibility Status of Individuals in Institutions for Mental Disease.**

- This Part would suspend Medicaid eligibility to avoid the costs associated with the current delay (due to the current requirement to remove individuals from the Medicaid rolls when they are placed in a State institution) in re-establishing Medicaid in discharging individuals from Institutions for Mental Disease until community services can be secured. According to DOB, relapse rates are higher, as is the reliance on emergency care and otherwise avoidable hospitalizations, for the period between when individuals are discharged from institutions without Medicaid coverage, and when they are able to re-enroll.
- In 2007, New York enacted a similar change for individuals who enter the correctional system with Medicaid eligibility. According to DoB, this change would also be necessary because the federal government changed their calculation methods in 2010 for disproportionate share (DSH) payments to these institutions and the Centers for Medicare and Medicaid Services, (CMS), would only include the cost of care for these individuals if they are classified as having Medicaid suspended.

**Part F - Defers Human Services Cost of Living Adjustment**

- This would defer for one year the previously enacted three year Human Services COLA Adjustment for programs that operate under the Office of people with Developmental Disabilities, Office of Mental Health, Office of Alcoholism and Substance Abuse Services, Department of Health, State Office for the Aging and Office of Children and Family Services. The proposal would also extend the COLA for an additional year through March 31, 2015.

**Part G - Provides the Office of Mental Health Commissioner With the Authority and Flexibility to Close, Consolidate, Downsize, Redesign or Transfer Programs and Facilities Based on Fiscal, Programmatic and Census Information.**

- This Part would repeal the current provision that requires one-year notice for significant service reductions and adds language to reduce that requirement to a two week notice. Part G would also give the Office of Mental Health the authority to close, consolidate, reduce, transfer or otherwise redesign services of hospitals and other facilities, notwithstanding the current community reinvestment requirement that all savings realized from the closure of hospitals or beds be reinvested into community services.

# 2011 NEW YORK STATE EXECUTIVE BUDGET
# TRANSPORTATION AND ECONOMIC DEVELOPMENT
# ARTICLE VII LEGISLATION
# S.2810/A.4010

**Part A - Provide the Annual Authorization for the Consolidated Local Street and Highway Improvement Programs (CHIPS) and Marchiselli Programs.**

- This Part would authorize the CHIPS and Marchiselli capital aid programs to counties, cities, towns and villages for SFY 2011-12 to be funded at $363.1 million and $39.7 million respectively for a total of $402.8 million. There would be no change in the funding level from SFY 2010-11.

**Part B - Permanently Extend Department of Transportation's Single Audit Program**

- This Part would make the Single Audit Program, established in 1998, permanent. The program is set to expire on December 31, 2011. Since 2005, this program has been extended every year. This law applies to municipalities and public authorities with annual State transportation assistance spending in excess of $100,000 for programs administered by the New York State Department of Transportation (DOT).
- In cases where such an entity is already required to perform a federal audit, current law allows an independent certified public accountant to conduct an audit of State funds received by a municipality at the same time and in the same format as they conduct the Federal audit. In this manner, the entity can satisfy State and Federal audit requirements and eliminate the need for examination by State auditors.
- Without the Single Audit Program, it would be estimated that DOT would incur approximately $300,000 in additional annual auditing costs.

**Part C – Permanently Extend Suspension of Drivers' Licenses for Certain Alcohol-Related Charges.**

- This Part would make permanent provisions of New York law which impose penalties required by Federal law for driving while intoxicated. Federal highway assistance funding (Title 23 USC, § 164 - Surface Transportation Program, Interstate Maintenance, and National Highway System) is conditioned upon New York State imposing certain penalties for driving while intoxicated convictions, New York adopted conforming provisions in 1994 and has extended them every two years. The current provisions expire on October 1, 2011.
- New York is slated to receive federal highway safety program funds of $10.75 million in SFY 2011-12 and $21.5 million annually thereafter.

**Part D - Permanently Extend Suspension/Revocation of Drivers' Licenses for Certain Drug-Related Offenses.**

- This Part would make permanent provisions of New York law which impose penalties required by Federal law for drug-related convictions. Federal highway assistance funding (Title 23 USC, § 159 - Surface Transportation Program, Interstate Maintenance, and National Highway System) is conditioned upon New York State imposing penalties for certain drug-related convictions. The conforming provisions were enacted in this state in 1993 and have been extended every two years since with the current provisions expiring on October 1, 2011.
- New York is slated to receive federal highway capital funds of $35.8 million in SFY 2011-12 and $71.6 million annually thereafter.

**Part E - Make Permanent Provisions Relating to the Motor Vehicle Financial Security Act**

- This Part would make permanent certain provisions relating to the Motor Vehicle Financial Security Act, which require motorists to maintain vehicle insurance at all times as well as the related fines and penalties for noncompliance. The Department of Motor Vehicles' (DMV) Compulsory Insurance program is funded by the related fines and penalties. This program's mission is to ensure driver safety. Under current law, these provisions would sunset on June 30, 2011. These provisions have been periodically extended since they were originally enacted in their current form in 1981.

**Part F - Conform the Vehicle and Traffic Law to Federal Requirements, Governing Operators of Commercial Motor Vehicles and Medical Certification Requirements**

- This Part would conform New York State law to Federal requirements governing commercial motor vehicle operators and medical certification requirements pertaining to such operators. The Federal Motor Carrier Safety Administration (FMCSA) recently conducted an audit and issued its final determination that New York was not compliant in several areas of the Motor Carrier Safety Improvement Act of 1999 and the Commercial Motor Vehicle Safety Act of 1986. This language would address the deficiencies identified by FMCSA's audit.
  - Requiring DMV retain records related to major disqualifying violations committed by a non-commercial driver license (CDL) holder who operated a commercial motor vehicle at the time of the offense.
  - Requiring courts would be required to transmit convictions by out-of-state CDL holders or by out-of-state non-CDL holders operating commercial vehicles within 96 hours of such conviction to ensure DMV has sufficient to transfer information to the operator's home jurisdiction.
  - Amending Criminal Procedure Law to prohibit courts from issuing an adjournment in contemplation of dismissal if the offense involves a traffic violation committed by a CDL holder or is committed in a commercial motor vehicle.

- Amending Vehicle and Traffic Law to implement requirements of a recently adopted federal rule which requires that a commercial driver's medical certification information be linked directly to his or her CDL.

**Part G – Make Permanent the General Loan Powers of the New York State Urban Development Corporation**

- This Part would make permanent the authority of the Urban Development Corporation (UDC) to make loans. The UDC has had such power since 1994, and this authorization has been renewed annually thereafter. Currently, it is set to expire on July 1, 2011. Absent reauthorization, UDC would only be authorized to make loans in connection with certain State-funded economic development programs that have statutory loan authorization.

**Part H - Modifies the Linked Deposit Program to Increase the Lifetime Maximum per Eligible Business From $1 Million to $2 Million.**

- This Part would increase the maximum amount of any loan given to an Excelsior Linked Deposit participant, from one to two million dollars, and would similarly cap the total amount that a program participant can borrow, during the lifetime of the Excelsior Linked Deposit Program, at two million dollars. The Excelsior Linked Deposit Program provides below market rate loans to businesses by also linking it to deposits of State funds at lending institutions. During the life of the loan, the State in turn receives a below-rate return on its linked deposit.
- It would also allow, upon request of the lender, the renewal of a linked deposit for an additional four years with the approval of the Commissioner of Economic Development. The Commissioner can approve such renewal, upon a determination that the borrower, during the second four year period of the linked loan, will create additional industrial modernization benefits, additional export trade benefits, or additional jobs.

**Part I - Extend the New York State Higher Education Capital Matching Grant Program**

- This Part would extend the Higher Education Capital (HECap) Matching Grant Program for one additional year to March 31, 2012. The 2005-2006 Budget authorized the $150 million HECap Matching Grant Program to support capital projects at the State's independent colleges. To date, 124 projects totaling approximately $127 million have been approved.

**Part J – Clarifies the State Governmental Cost Recovery System.**

- This Part would authorize an increase in the maximum amount of reimbursement that could be collected from Public Authorities by the Director of the Budget, from the current $55 million, to $60 million. The proposal also would repeal provisions allowing for reimbursement from Industrial Development Agencies (IDAs) as IDAs are not public authorities and thus not separate entities.

**Part K – Permanently Establish the Distribution Formula for the Community Services Block Grant Program.**

- This Part would make permanent the authority granted to the Department of State (DOS) to distribute the Federal Community Services Block Grant (CSBG) awards to community action agencies. Since 1982, this statute has been extended annually with the authority to distribute CSBG funds predicated upon the receipt of funding from the Federal government.

**Part L - Permanently Establish the Authority of the Secretary of State to Charge Increased Fees for Expedited Handling of Documents.**

- This Part would permanently authorize the Secretary of State to charge increased fees for expedited handling of documents. Without action this authority would sunset on March 31, 2011. Typically this authorization is extended annually with the enactment of the Budget.

**Part M – Dissolves the Tug Hill Commission**

- This Part would repeal Article 37 of the Executive Law, which created the Tug Hill Commission, and would also remove all references to the Commission in State law. It is estimated that Part M would save $1.226 million in SFY 2011-12 and annually thereafter. The Tug Hill Commission was established in 1972 to assist local governments, private organizations and individuals in developing the cultural, economic and natural resources of the Tug Hill region, which encompasses 2,100 square miles between Lake Ontario, the Black River and Oneida Lake. Currently, the Commission provides assistance to the region in the form of land use planning, computerized mapping, community development, technical services and natural resource management.

**Part N – Eliminates the Salary for the Chair of the State Athletic Commission but Leaves the Commission Intact.**

- This Part would eliminate the statutory salary of the Chair of the State Athletic Commission. The Commission, a division of the Department of State, consists of three members appointed by the Governor with the advice and consent of the Senate, with one member designated by the Governor as Chairman of the Commission. The Commission administers licensing for applicants, evaluates medical and safety standards and enforces all rules and regulations related to boxing and wrestling contests, matches and exhibitions. The two remaining members of the Commission do not receive a statutory salary.

**Part O - Eliminate Statutory References to the Governor's Office of Regulatory Reform.**

- This Part would eliminate the Governor’s Office of Regulatory Reform (GORR), which was established by Executive Order in 1995. The Executive budget estimates $1.5 million in savings as a result of this change.

**Part P – 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 New York State Energy Research and Development Authority, (NYSERDA).**

- This Part would authorize up to $913,000 from unrestricted corporate funds of NYSERDA to be deposited in the General Fund. This $913,000 transfer would help offset New York State's debt service requirements relating to the Western New York Nuclear Service Center. A similar one-year authorization was contained in last year's budget.

**Part Q – Authorize NYSERDA to Finance a Portion of its Research, Development and Demonstration, and Policy and Planning Programs, and to Finance the Department of Environmental Conservation's Climate Change Program, from Assessments on Gas and Electric Corporations.**

- This Part would authorize NYSERDA to utilize revenue that would be obtained from a special assessment on gas corporations and electric corporations collected pursuant to section 18-a of the Public Service Law. This special assessment would be in addition to the section 18-a assessment and is similar to what was enacted last year.

**Part R – Authorize the Department of Health (DOH) to Finance Certain Activities with Revenues Generated From an Assessment on Cable Television Companies**

- This Part would make DOH's public service education expenses eligible for funding from the Department of Public Service's assessment on cable television companies. The Executive's financial plan assumes that DOH would be able to recover these costs and a $454,000 appropriation would be included in DOH's budget for these activities.

**Part S - Make Permanent the Current Time Frames for Review of Pesticide Product Registration Applications and Pesticide Product Registration Fees**

- This Part would eliminate sunset provisions making permanent both the expedited review of pesticide product registration applications as well as current fees under the Department of Environmental Conservation's (DEC) current pesticide product registration fee program. The review time frames and fees were established in 1993 and reauthorized every three years through 2008. The revenues from this program are currently deposited into the Environmental Protection Fund (EPF) and the Environmental Regulatory Account (ERA).

**Part T – Authorize the Commissioner of Agriculture and Markets to Establish a Competitive Grants Program for Agricultural Research, Marketing, and Education Initiatives**

- This Part would authorize the Commissioner of Agriculture and Markets to establish a competitive grants program, drawing from corresponding appropriations, to fund research, marketing, and education initiatives for the benefit of New York's agricultural community.

- This proposal would further make technical amendments to existing law to broaden eligibility for farmland viability grants, as well as to remove the $60,000 award cap for food and agriculture industry development (FAID) grant awards.

**Part U – Implement Key Components of the Governor's "Share NY Food" Initiative**

- This Part would expand the definition of "food markets" that may receive funding from the Healthy Food/Healthy Communities initiative of the New York State Urban Development Corporation Act to include entities such as farmers markets, public benefit corporations and municipal corporations. It would further establish a revolving loan fund to assist in the development, implementation, and operation of agricultural programs. The proposal defines areas with limited access to affordable and nutritious food as "food deserts" and would extend the reach of current grant opportunities for farmers' markets that serve food deserts.

**Part V – Repeal of Navigation Law Article 4-A, Regarding Reimbursements Paid to Certain Governmental Entities**

- This Part would repeal Article 4-A of the Navigation Law, which defines certain boating enforcement programs, including the vessel and equipment anti-theft program, the I Love New York waterways boating safety program, and a boating noise levels program. Article 4-A also currently requires reimbursements to be paid to county governments that enforce these programs. One provision under the State Finance Law would be altered to omit language referencing State funding designated for these programs.

**Part W- Facilitate an Efficient Transfer of Tribal State Compact Revenue to the General Fund and Make a Technical Correction to the Distribution of the Local Share of Such Revenues Associated with the Niagara Falls Casino.**

- This would streamline the transfer of monies from municipalities that receive a share of revenue from tribal casinos in its jurisdictions, to the State.

**Part X - Establish a Surcharge on Purses at Harness and Thoroughbred Racetracks.**

- This Part would impose a 2.75 percent surcharge on purses at any track authorized to conduct wagering in the State. This "supplemental regulatory fee" would go to fund the operations of the State Racing and Wagering Board and would be paid monthly to the Board. A five percent penalty would be assessed if payment is late, with one percent interest per month assessed for continuing delinquency. The Board may audit to ensure it is receiving its proper amounts and would have a three year look-back with respect to these payments. A retroactive assessment can be challenged at a hearing, but a determination is reviewable only by an Article 78 proceeding.

**Part Y - Extend the Renewal Period for Certain Disciplines Licensed by the Department of State**

- This Part would extend the licensing renewal period for individuals holding a license in nail specialty, waxing, natural hair styling, esthetics, cosmetology, or barbers and apprentice barbers, from two years to four years from the date of issuance. The licensing renewal period for an appearance enhancement business license or a license to conduct a barber shop would also be extended from two years to four years.
- The proposed would also double the fees associated with licensing for nail specialists, waxing specialists, natural hair stylists, estheticians, cosmetologists, barbers, apprentice barbers, and an owner of an appearance enhancement business or barber shop. Renewal fees applicable to these licenses would also double in cost. The Executive budget assumes $2.25 million in additional revenue from the implementation of this provision.

**Part Z - Authorize the Tax Modernization Project**

- This Part would modernize tax administration, including real property tax administration, as well as clarify abandoned property rules concerning debit cards issued for tax refunds and improve sales tax compliance
- <u>Electronic Real Property Tax Administration:</u> This section would provide the Commissioner of Taxation and Finance the authority to establish standards for electronic real property tax administration allowing for (1) electronic filing and/or transmission of all real property tax documents and (2) an electronic real property tax collection system. No taxpayer would be required to accept electronic communications if he or she does not affirmatively elect to do so. Public disclosure of a taxpayer's electronic contact information, such as an e-mail, would not be permitted. In addition, the bill would require local tentative and final assessment rolls to be posted on a municipality's website or, if a municipality does not maintain a website, on the municipality's respective county website.
- <u>Electronic State Tax Administration:</u> The proposal would enable the Department of Taxation and Finance, when authorized by an online services account holder, to use electronic means of communication to furnish any document it is required to mail by law or regulation.
- <u>Electronic Filing Mandates:</u> Currently, two separate sections of the Tax Law govern electronic filing for tax preparers of personal income tax return and for other preparers and business self-filers. This bill would consolidate these sections into one section. In addition, the bill would require any tax preparer or self-filer, including individual personal income tax (PIT) self-filers, that uses tax preparation software to e-file all tax returns. The bill would also increase penalties imposed on tax prepares for failure to e-file from $50 per occurrence to $500 for the first tax document and $1,000 for each subsequent tax document that is not e-filed. The bill would also impose a $50 penalty on individual PIT taxpayers for failure to e-file and a $100 penalty for failure to e-file for taxes except PIT.
- <u>Abandoned Property Amendments for Tax Refund Debit Cards</u>: The Department of Taxation and Finance is considering debit cards as a future method for the payment of personal income

tax returns. This bill would provide that a debit card issued for tax refund purposes would be considered abandoned property and paid to the State if the debit card is not activated within a one-year period from the issuance of the card. Under current law, unpaid checks or drafts issued by the State have a one-year dormancy period. It should be noted that inactive bank accounts have a five-year dormancy period. Any unused funds on an activated debit card would be governed by the five-year dormancy period.

- Improving Sales Tax Compliance: This section would authorize the Commissioner of Taxation and Finance to require sales tax vendors to use a certified system to capture information about the vendor's transactions. The Commissioner would only be authorized to require use of the system if a sales tax vendor fails to collect, truthfully account for, or pay over sales tax monies, or to file returns as required by law, and whose total tax due for the four most recent quarterly periods exceeds $3,000. The Department would certify the accuracy of the system and the vendor would not be liable for any error attributable to the system. The bill would also authorize the Commissioner, in his discretion, to require sales tax vendors that file returns on a quarterly basis to file on a monthly basis when the Commissioner deems it necessary to protect sales tax revenue.
- The Executive budget estimates that the subparts of Part Z would generate, on a combined basis, $200 million of additional tax revenue and $25 million of administrative savings.

# 2011 NEW YORK STATE EXECUTIVE BUDGET
# REVENUE ARTICLE VII LEGISLATION
# S.2811/A.4011

## Part A – Abandoned Property Spin Up

- This Part bill would change from five to three years the amount of time it takes for a condemnation award, credit balance arising from loans, bank accounts, lost cash, money on deposits to secure funds, unredeemed gift certificates, court bail, certain trusts, escrow accounts and child or spousal support to be deemed abandoned property and collected by the State.
- This part would also change from six years to three years the amount of time the sale of unpledged property will become abandoned property.

## Part B - Tax Shelter Reporting

- Would make permanent the provisions of the tax law relating to tax shelter disclosure and penalties requiring the disclosure of information necessary to detect the use of tax shelters by taxpayers.

## Part C – Empire Zone Program Compliance

- Would clarify that if a business is decertified, the Tax Department would have the power to deny Empire Zone tax credits to that business. This part would preserve revenues of the State.

## Part D – Offset of Lottery Winnings

- Would authorize the Division of Lottery to intercept lottery prizes for the purpose of paying outstanding tax liabilities. The Division currently has the ability to intercept lottery prizes for the purpose of paying outstanding child support payments and repaying public assistance benefits. This part would increase revenues by $5 million in SFY 2011-12 and $10 million annually, thereafter.

## Part E – Financial Services Investment Tax Credit

- Would extend the financial services investment tax credit for four years. The current credit is scheduled to sunset on October 1, 2011. The credit is extended until October 1, 2015 for the corporation franchise tax, personal income tax, bank tax and insurance tax.

**Part F - Low-Income Housing Credit**

- Would authorize an additional $4 million in low-income housing credits for ten years allowing the Commissioner of Housing and Community Renewal to allocate a total of $32 million in these credits per year.

**Part G – Excelsior Jobs Program Amendments**

Specifically, this Part would:

- Extend the tax benefit period from five years to ten years.
- Amend the calculation of the Excelsior New Jobs Tax Credit from a percentage of the salary and benefits, capped at $5,000, to 6.85 percent of gross wages with no cap.
- Phase the real property tax credit down from 50 percent to five percent over ten years as opposed to a phase down to ten percent over five years.
- Applies the real property tax credit to the real property taxes assessed on the property after any improvements.
- Increases the research and development credit from 10 percent to 50 percent of the federal credit. The credit would be capped at three percent of qualified research and development expenditures.

**Part H – Limit the Exemption Provided for Town or County Cooperative Insurance Corporations Under the Insurance Franchise Tax**

- This Part would amend the franchise tax on insurance corporations to limit the exemption for certain town or county cooperative insurance companies.
- It would also amend the exemption for town and county co-operative insurance corporations in Tax Law §1512(a)(7) to provide that the exemption would apply only to corporations that have direct written premiums of $25 million or less for the taxable year.

**Part I – Conform the New York State Insurance and Bank Laws to the Federal Dodd-Frank Excess Lines Tax Provisions and Authorize New York State to Participate in a National Compact that Collects and Remits Excess Lines Taxes to the States**

- This Part would amend certain definitions and revamp state regulation of excess line brokers in the Insurance Law to make New York State compliant with the Federal Dodd-Frank Wall Street Reform and Consumer Protection Act.
- The proposal would conform New York State with the Dodd-Frank provisions allowing New York State to participate in NIMA, which is a multi-state agreement that authorizes participation in a national clearinghouse for the purpose of collecting, allocating and disbursing taxes on excess lines premiums to participating states. The rate of the tax remains unchanged at 3.65 percent.

**Part J - 1985 Bank Tax Extension and Gramm Leach Bliley Extender**

- This Part would make permanent the major provisions of the 1985 and 1987 bank tax reforms and extends for two years the transitional provisions in New York's bank tax enacted in response to the Federal Gramm-Leach-Bliley Act.

**Part K – Modernize Fuel Definitions**

- This Part would change the definitions of fuels in the tax law to match the definitions in Federal law, and would change the current assignment of taxation from the fuel's level of "enhancement" to the federal basis of whether the fuel is dyed.
- This part does not change any tax rates but, would continue to allow up front exemptions for exempt products.
- The definition for E85 would be changed to match federal standards to allow the alternative fuels exemption for all seasonal mixes of E85.

**Part L – Alternative Fuels Exemption**

- This Part would extend the sunset date of the exemption for alternative fuels from September 1, 2011 to September 1, 2012, and allow E85, compressed natural gas, and hydrogen a full exemption and B20 a partial exemption from the motor fuel tax, the petroleum business tax, the fuel use tax and state and local sales taxes.

**Part M – Streamline the Distribution of Motor Vehicle Fees**

- This Part would prescribe that all deposits of motor vehicle taxes and fees go into the Dedicated Funds Pool with any excess above $169.4 million flowing to the General Fund. No motor vehicle fees will be reported as miscellaneous receipts.

**Part N – Quick Draw**

- This Part would eliminate the restrictions on the Game relating to food sales, hours of operation and the size of the facility.

**Part O – Authorizes a Free Play Allowance Program**

- The Executive proposal would give the Division of Lottery the ability to authorize a free play allowance program for all nine video lottery gaming (VLG) facilities. The free play allowance program will allow VLG facilities to offer free play credits up to an amount equal to 10 percent of net machine income without having to include them in the calculation of net machine income (NMI) distributions.

- The Division of Lottery would have to certify that each VLG facilities free play proposal would increase revenues for education before allowing the VLG facility to operate a free play program. The Division of Lottery and the Director of Budget may suspend the free play program of any VLG facility if they determine that the program is "not effective" in increasing the revenues in order to support education.

**Part P – Additional 75 percent Instant Lottery Games**

- This Part would expand from three games to five new games annually the number of instant scratch off games that may offer a 75 percent payout.

**Part Q – Multi-Jurisdictional Lottery Game Higher Prize Payouts**

- This Part would allow the Division Lottery to pay out more than 50% of ticket sales receipts in prizes if the consortium of state lotteries which participate in Powerball and Mega Millions agree to raise the pay-out. New York could only agree to a higher payout percentage if 2/3 of the participating jurisdictions have voted to increase the payout.

**Part R – Multi-Jurisdictional Video Lottery Gaming**

- This would allow for the Division of Lottery to enter into Video Lottery Gaming (VLG) agreements with other states for the purpose of creating multi-state progressive jackpot games.

**Part S – Pari-Mutual Tax**

- This Part would extend lower pari-mutuel tax rates and rules governing simulcasting of out-of-State races for one year. This proposal has no SFY 2011-12 fiscal impact because the reduced rates are built into the base of the SFY 2010-11 financial plan.

# 2011 NEW YORK STATE EXECUTIVE BUDGET
# MERGE STATE ENTITIES
# ARTICLE VII LEGISLATION
# S.2812/A.4012

**Part A – Merges The Operations of the Department of Insurance, the Banking Department and the Consumer Financial Protection Programs of the Consumer Protection Board Into a New Department of Financial Regulation.**

- This Part would consolidate the operations of the Insurance Department, Banking Department; and the consumer financial protection programs of the Consumer Protection Board into one new State agency, to be known as the Department of Financial Regulation.
- All of the existing supervisory, regulatory and enforcement powers contained within the Banking and Insurance Laws would remain intact, as would both Chapters of Law. The Superintendent of Financial Regulation would assume all the responsibilities of the Superintendents of the Banking and Insurance Departments, as well as being given expanded responsibilities to oversee consumer and investor protection of financial products, services and transactions. Banks and Insurance would further be overseen by respective Deputy Superintendents.
- This would further authorize the new Superintendent of Financial Regulation to administer a newly created Financial Frauds and Consumer Protection Unit (FFCPU).
- The new Department would function as a central repository for consumer financial complaints, and would have broad authority to investigate activities that may constitute financial fraud or misconduct. It would also be given broad authority to impose civil penalties, and recover restitution for consumers who are harmed by financial frauds.

**Part B – Merge the Operations of the Office for the Prevention of Domestic Violence, Office of Victim Services, and the State Commission of Correction Into the Division of Criminal Justice Services, (DCJS).**

- This Part would restructure the Office for the Prevention of Domestic Violence (OPDV), Office of Victim Services (OVS), and the State Commission of Correction (SCOC) as specialized entities under the umbrella of DCJS. Each of the new offices of OPDV and OVS would be headed by a Director who will report to the Commissioner of DCJS. The Division shares many of the same functions carried out by OPDV, OVS, and SCOC, including data collection and analysis, administration of State and federal criminal justice funds, grant-making, and support of criminal justice-related agencies across the State.
- The State Commission of Correction would continue to have three members appointed by the Governor, and compensation of the two non-chair SCOC members would be changed from salaried to per diem ($250 per day). The directors of OPDV and OVS and the Chair of SCOC would continue to coordinate and recommend policy in their respective program areas. The

bill would also provide for the transfer of employees and records, continuity of authority, continuation of rules and regulations, and the transfer of assets and liabilities from the existing agencies to DCJS.

**Part C – Merge the Department of Correctional Services and the Division of Parole Into the New Department of Corrections and Community Supervision.**

- This Part would merge the Department of Correctional Services (DOCS) and Division of Parole (DOP), which now have some duplicative re-entry functions and related staff. It is intended to improve re-entry, reduce recidivism, and enhance operational effectiveness and efficiency.
- The Parole Board would be allowed to act independently while receiving administrative support from the new entity, Department of Corrections and Community Supervision (CCS). CCS would be given the authority to set the conditions of release on parole. All other statutory duties of the Parole Board which are currently carried out by DOP staff pursuant to DOP regulations would in turn be transferred to CCS.
- The proposal would reduce the number of Parole Board members from 19 to 13. There are presently only 13 sitting members. This merger is expected to produce savings of $477,000 through the elimination of duplicative functions

**Part D – Merge the Foundation for Science, Technology and Innovation (NYSTAR) and the Existing High Technology and Research and Development Programs to the Empire State Development Corporation**

- This part would authorize the transfer of the powers, functions and affairs of the Foundation for Science, Technology and Innovation (NYSTAR) to the New York State Economic Development Corporation. This would be a consolidation of two of the State's major economic development agencies and is intended to further streamline and improve the delivery of economic development services. The Executive budget estimates that consolidation would save $1.9 million annually.

# 2011 NEW YORK STATE EXECUTIVE BUDGET
# GUBERNATORIAL REORGANIZATION OF GOVERNMENT AGENCIES AND FUNCTIONS SUBJECT TO THE APPROVAL OF THE LEGISLATURE
# ARTICLE VII LEGISLATION
# S.2813/A.4013

- This bill would amend the Executive law to create a new Article 3-A (Sections 33-39) entitled the “Executive Reorganization Act of 2011". Whenever the Governor finds it in the State’s interest he may propose a plan of reorganization to be submitted to the legislature, and the Secretary of State to be published in the State Register. It may be for the abolition of a part or all of an agency, office, public authority, division, or subsidiary thereof of the state, or the consolidation or merger of such entities.
- Such a plan would not be able to grant an agency a power not already granted statutorily at the time the plan is transmitted, nor can it eliminate any function required by Federal Law or violate any covenant with bond holders. The plan would be required to have certain criteria regarding the devolution of the powers and duties of the former or new agency.
- The plan of reorganization would have to be approved by the legislature by a concurrent resolution adopted by the majority of the members of each house of the legislature.

# 2011 NEW YORK STATE EXECUTIVE BUDGET
# RECHARGE NEW YORK POWER
# ARTICLE VII LEGISLATION

- This bill would replace to the Power for Jobs (PFJ) and the Energy Cost Savings Benefit (ECSB) Program. The PFJ Program provides discounted New York Power Authority (NYPA) purchased power for businesses and not-for-profits that create or retain jobs. The ECSB Program, was established in 2005 to allow NYPA to make discounted market power available to businesses in the economic development power, high load factor power and municipal distribution agency power programs.
- Since 2005 these programs have been extended annually and are currently due to expire May 15, 2011. This proposal would extend the existing programs until June 30, 2012 and then replace these Programs with a new, permanent 910 megawatt "Recharge New York Power Program" administered by NYPA and the Economic Development Power Allocation Board (EDPAD) to foster job creation and retention in New York State.
- The new Program would consist of half NYPA hydropower and half competitively-purchased market power for allocation to eligible businesses and other entities located in the State. It would include reallocation of discounted Rural and Domestic (R&D) power currently allocated to certain residential and agricultural customers, but would ensure mitigation for cost impacts to these customers.
- The program would grant seven year contracts and authorize further extensions. Set-asides would be made for upstate businesses, new job creation, and small businesses and non-profits.