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January 28, 2008

Dear Senators:

Please find attached the "Staff Analysis of the SFY 2008-09 Executive Budget." It is intended to assist the members of the Finance Committee, and the Senate as a whole, in their deliberations. We hope that our readers find it useful.

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

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

Sincerely,

Owen H. Johnson

STAFF ANALYSIS OF THE
SFY 2008-09 EXECUTIVE BUDGET

As Prepared by the Senate Finance Committee Staff

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SCHEDULE

SCHEDULE FOR LEGISLATIVE REVIEW
OF THE 2008-09 EXECUTIVE BUDGET PROPOSAL

DATE	LOCATION	TIME	TOPIC
January 28	Hearing Room B	10:00 AM	Local Government Officials & General Government
January 29	Hearing Room B	9:15 AM	Housing
January 29	Hearing Room B	1:00 PM	Mental Hygiene
January 30	Hearing Room B	9:30 AM	Higher Education
February 4	Hearing Room B	10:00 AM	Elementary & Secondary Education
February 5	Hearing Room B	12:00 PM	Human Services
February 6	Hearing Room B	9:30 AM	Health/Medicaid
February 7	Hearing Room B	9:30 AM	Public Protection
February 11	Hearing Room B	10:00 AM	Economic Development/Taxes
February 12	Hearing Room B	9:15 AM	Environmental Conservation
February 12	Hearing Room B	3:00 PM	Workforce Issues
February 13	Hearing Room B	9:30 AM	Transportation

FORECAST OF RECEIPTS

On or before February 26	Release of Revenue Receipts by the Fiscal Committees of the Legislature

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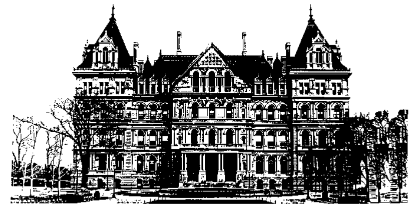
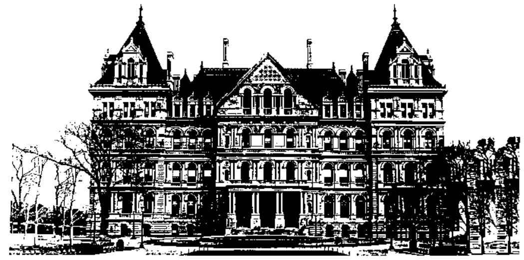
SECTION FOUR: AGENCY DETAIL



SECTION ONE

HIGHLIGHTS OF EXECUTIVE BUDGET

OVERVIEW



The Executive Budget recommends All Funds spending of $124.3 billion for SFY 2008-09, an increase of $6 billion or 5.1 percent from the current year. State funds which include funds controlled by the State and excludes Federal funds is proposed to grow to $84.6 billion, an increase of $6.7 billion or 6.2 percent.

The current State Fiscal Year is expected to close with reserves of $2.6 billion. Reserves are reduced by $137 million to fund recent collective bargaining agreements. After all Executive Budget recommendations, the Executive expects to close the 2008-09 Fiscal Year with General Fund reserves of $2.2 billion.

The Executive presents a financial plan which uses accumulated reserves to keep the current year and SFY 2008-09 in balance. These reserves were built up through previous years' fiscal restraint.

The significant increases in spending proposed in the SFY 2007-08 Executive budget continue in the Executive's plan for SFY 2008-09. Last year the Executive proposed a budget which increased State funds spending by 7.8 percent. The pattern continues with a proposed State funds spending increase of 6.2 percent for the 2008-09 State Fiscal Year. Moreover, because the proposed spending increases distort regional aid distributions and shift priorities away from property tax relief. For example, the Executive proposes $400 million in new initiatives while cutting nearly the same amount ($354 million) from property tax relief for home owners.

Executive's Budget Priorities

Crafting a budget is a process of choosing among competing interests and priorities. In New York State the Governor's Executive Budget is his ultimate expression of priorities for the coming fiscal year. Not inconsistent with last year, the Executive's Budget for the 2008-09 expresses a clear message of the administration's priorities. Moreover, it is clear what is not a priority to the Executive. The Executive Budget proposed by the Governor cuts property tax relief for middle class homeowners, struggling to meet increasing property tax burdens, by nearly $400 million. This cut to property tax relief reverses efforts by Senate Republicans to further increase property tax relief from last year's Enacted Budget.

Another indicator of this Executive's Budget priorities is a shift in the balance of school aid from Upstate and Long Island to New York City. In a budget that grows at more than twice the rate of inflation, a priority could have been to ensure that the balanced school aid package that was shepherded by the Senate Majority into law last year was maintained. This Executive Budget again favors certain regions of the State over others. The cut to property tax relief combined with the unbalanced school aid proposal would compound the problem of further increasing property taxes Statewide.

Economists and business leaders agree that in a world with fierce competition to locate businesses and where small businesses struggle to survive and grow, the lower the tax burden and overall cost of doing business, the more competitive a business can be in creating more jobs. New York still has a crushing property tax burden, high energy costs and other taxes which dampen economic activity.

The SFY 2007-08 Executive Budget acknowledges the state of the Upstate economy and pledges support. However, it is difficult to identify this support in the proposed budget bills. The Executive's plan does not address the full range of challenges faced by the region. Moreover, when combined with the Executive's proposals to increase taxes and fees, shift costs to local governments, and reduce property tax relief, the overall impact on the Upstate economy may be negative. The Senate's Upstate Now plan is comprehensive 10 point job growth and economic development plan for Upstate and all of New York State.

The Senate Majority has a strong record of cutting taxes valued at over $126 billion since 1994. This Executive Budget includes no tax cuts for small struggling businesses and virtually no tax cuts of any kind. To the contrary the budget proposes to raise nearly $1.7 billion through various revenue actions including taxes, fines, and fee increases. Revenue increases include increased taxes on gasoline of $50 million; increase auto insurance surcharges of $200 million; taxing health insurance providers $387 million; and new taxes on businesses of $762 million.

The Executive Budget proposal is premised on a projected SFY 2008-09 "current services" budget gap of $4.4 billion. The Executive's budget gap of $4.4 billion is the product of the Division of Budget's receipt forecast for next fiscal year minus DOB's estimate of what it would cost to operate or run "current services" for one more year. Using this analysis the Executive has projected a gap of $4.4 billion assuming no actions by the Governor or Legislature. To close this $4.4 billion gap, the Executive proposed $2.3 billion in savings actions, $1.1 billion in revenue actions and $1.1 billion in one-shots and non-recurring actions offset by $416 million in new initiatives.

Health Care

The majority of the savings actions are proposed in the Medicaid area. The Executive proposes All Funds reductions of $980 million in the health care area including Medicaid, Health Care Reform Act programs and the Office for the Aging. The recommended savings in Medicaid include $160 million through various initiatives to control pharmaceutical costs, $129 million for hospital rate decreases, $72 million in reductions related to changes in reimbursement rates for detoxification services and other service reimbursements ($48 million); HCRA savings of $64 million; savings related to lower patient volume and maintenance costs arising from implementation of the Berger Commission's recommendations will save $53 million; reduction in the trend factor for home care and personal care will save $10 million while other efficiencies are estimated to reduce costs by $31 million; the delay in nursing home rebasing adjustments will save $85 million and a reduction in the trend factor will save an additional $16 million; utilization and management savings are estimated at $51 million; and increased efforts to eliminate fraud is expected to produce an additional $160 million in savings. An additional $103 million in savings is recommended from reductions in public health programs including early intervention of $92 million. The savings measures proposed for the Medicaid Program are offset by a proposed redistribution of $89 million of savings for ambulatory reform, hospital out-patient services, and other Medicaid initiatives.

Property Tax Relief

The Executive cuts the property tax relief program enacted last year by a total of $354 million. The 2007-08 Enacted State Budget included a three year expansion of the school property tax rebate check program. Based upon this three year agreement, the total value of the rebate checks in 2007-08 increased from $675 million to over $1 billion. Current law provides that the rebate checks should increase to $1.3 billion in 2008-09 and to $1.5 billion in 2009-2010.

However, the Governor has failed to keep the promise on increased rebate checks to overburdened homeowners. The Governor is currently proposing to freeze Rebate checks and the New York City Personal Income tax Credit for non-seniors for 2008-09. This represents a $209 million cut against the agreement enacted in the 2007-08 State Budget. The Executive SFY 2008-09 proposal does allow for the scheduled expansion of the senior rebate checks (+$91million).

The Governor is also taking $20 million in savings by eliminating the NYC Personal Income Tax Credit for persons who earn over $250,000. Additional savings are achieved by allowing the Tax Department to offset rebate checks against tax and other (i.e. child support) debts. This reduces the rebate checks by an additional $15 million. Lastly, the Governor proposes to modify the traditional STAR program by allowing STAR exemptions to decline by as much as ten percent. Currently they cannot fall by more than five percent. This action alone increases taxpayer's costs by $110 million. **In total with all the above actions the Governor is reducing property tax relief by $354 million when compared to current law.** No new property tax relief initiatives are proposed in the Executive Budget

Education

Overall formula increase of $1.438 billion
(7.5 percent increase). The Executive proposes to provide a minimum Operating Aid increase of two percent rather than promised three percent under the new foundation formula. BOCES aid is cut by $65 million against present law levels, which is achieved by reducing state aid ratios.

The Executive is proposing to limit the growth in the Preschool Handicapped Program costs borne by the counties. Currently, the State Pays 59.5 percent of the costs of this program and counties contribute the remaining 40.5 percent. The Executive's plan would have the State pick up the growth in Preschool Special Education costs that exceed four percent growth for the 2007-08 school year, over 3.5 percent growth for the 2008-09 school year, and three percent growth for the 2009-10 year and thereafter. This would provide $20 million in tax relief to counties in SFY 2008-09

The Executive proposes that certain costs for preschool special education expenses currently paid for by the State, now be picked up by the school districts. These costs include expenses related to evaluations and administrative costs associated with the committee of preschool education and this shifts $46 million on to school property taxpayers.

Human Services

The Executive proposes $238 million in General Fund savings by shifting $41 million in costs to local governments, eliminating $25 million in Legislative initiatives and shifting funding of certain programs to fund only the amount of cash needed in a State fiscal year to produce a savings of $112 million.

Tax and Fee Increases

The SFY 2008-09 Executive Budget increases fees by $450 million and raises taxes by $1.1 billion. The tax increases include delaying the increase in the current STAR rebate check program and the associated New York City personal income tax credit as well as a virtual cornucopia of personal income tax, business tax and user tax increases.

For the second year in a row the Governor has said that his budget would not raise taxes. For the second year in a row the Executive Budget contains a multitude of tax increases described as “loophole closers”. The Senate fought for and achieved rejecting a two year total of over $1 billion in tax and fee increases last year. When comparing state and local tax burden, New York is still one of the highest states in the nation.

The SFY 2008-09 Executive Budget again describes tax hikes with phrases like “loophole closers” or “coupling back with the federal tax code”. Make no mistake, the end result of these statutory changes are higher taxes for New York taxpayers. When New York State decouples from federal tax calculations it does so to avoid burdening our taxpayers with unintended tax consequences arising from federal actions. “Conform to Federal rules and practices...” simply becomes a method of increasing the New York State tax base to increase taxes

The chart on the following page lists the tax increases, reductions and other revenue actions contained in the SFY 2008-09 Executive Budget. A list of fee increases and other fiscal actions can be found in Section III of this book.

Tax Revenue Increases

SFY 2008-09 Executive Budget

(thousands of dollars)

	SFY 2008-09	Full Annual Impact
Increase STAR Exemption Floor from 5% to 10%	$110,000	$120,000
LLC Minimum Partner Fee, Minimum Corporate Tax Increase	99,000	99,000
New York Residency Definition Change	0	5,000
Gain from Sale of Partnerships	0	10,000
Make the reporting of tax Shelters permanent	0	17,000
Credit Card Company Nexus	95,000	75,000
Eliminate the use of real estate investment trusts to shelter income	0	63,000
Conforming HMOs Taxation	247,000	288,000
Remove Capital Base cap and lower rate	98,000	70,000
Decouple from Federal QPAI Regulations	56,000	56,000
Extend MTA Surcharge	0	0
Repeal Sales Tax Bad Debt Provisions	7,000	9,000
Limit Tax Exemptions for Sales by Non-Profits (Internet Sales)	7,500	15,000
Tax Out-of-State Planes and Vehicles	4,000	6,300
Vendor Registration Fee	12,200	36,900
Conform Tax Treatment of Little Cigars	3,600	4,800
Create New Definition for Flavored Malt Beverages and increase tax	15,000	18,000
New Tax on Illegal Drugs	13,000	17,000
Delay by One Year the increase in basic Middle Class STAR Rebate Program	209,000	0
Repeal NYC STAR PIT Credit for High Income Taxpayers	20,000	30,000
Simplify Taxation of Motor Fuel	13,200	55,900
Sales Tax Nexus of Internet Retailers	47,000	85,000
Authorize the Department to Offset Tax Debts, Child Suport and Other debts Against STAR Rebates	15,000	15,000
Tax and Revenue Increases Total	**$1,071,500**	**$1,095,900**

Tax Cut Renewal Denials

Expiration of ITC for Financial Services	$35,000	$75,000
Allow Lower Real Estate Transfer Tax on REITs to Expire	$200	$200
Tax Cut Renewal Denials Total	**$35,200**	**$75,200**

Tax Revenue Reductions

(thousands of dollars)

	SFY 2008-09	Full Annual Impact
Film Credit	$5,000	$15,000
Bioheat Credit	$0	$1,000
Handicapped Accessible Taxis Credit	$0	$3,000
Low Income Housing Credit	$4,000	$4,000
Extend the Power for Jobs Program for one year	$15,000	$0
Repeal Section 180 tax and reduce Section 181 tax	$24,000	$24,000
Revenue Reductions Total	**$48,000**	**$47,000**

Other Financial Plan Revenue Reductions

Decreased Utility Assessments Due to Lower Utility Company Receipts	$793	$793

Table 1

All Funds Cash Financial Plan

SFY 2006-07 through SFY 2008-09

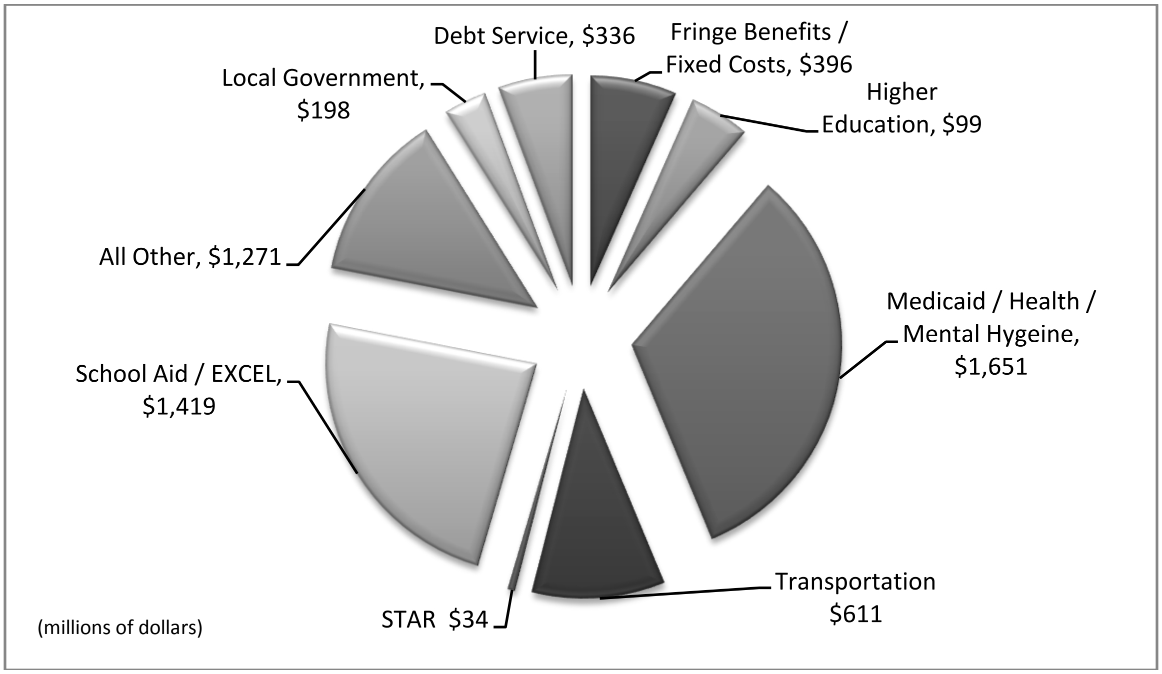
(billions of dollars)

	Actual 2006-07	Projected 2007-08	Proposed 2008-09	Adjusted 2008-09* Amount	Adjusted 2008-09* Percent Change
Opening fund balance:	7.1	6.9	5.6	5.6	-17.74%
Receipts:					
Taxes	58.7	60.9	64.9	64.9	6.54%
Miscellaneous receipts	18.1	20.1	21.3	21.3	6.19%
Federal grants	35.6	35.8	36.9	36.9	2.91%
Total receipts	112.4	116.8	123.1	123.1	5.37%
Disbursements					
Grants to local governments	80.7	84.0	87.4	85.5	1.77%
State operations	17.5	18.6	19.4	19.4	4.09%
General State charges	5.2	5.4	5.6	5.6	3.48%
Debt service	4.5	4.3	4.6	4.6	7.83%
Capital projects	4.8	6.1	7.3	7.3	20.95%
Total disbursements	112.8	118.3	124.3	122.4	3.41%
Total Surplus / Reserves	6.9	5.6	2.6	2.6	-54.67%

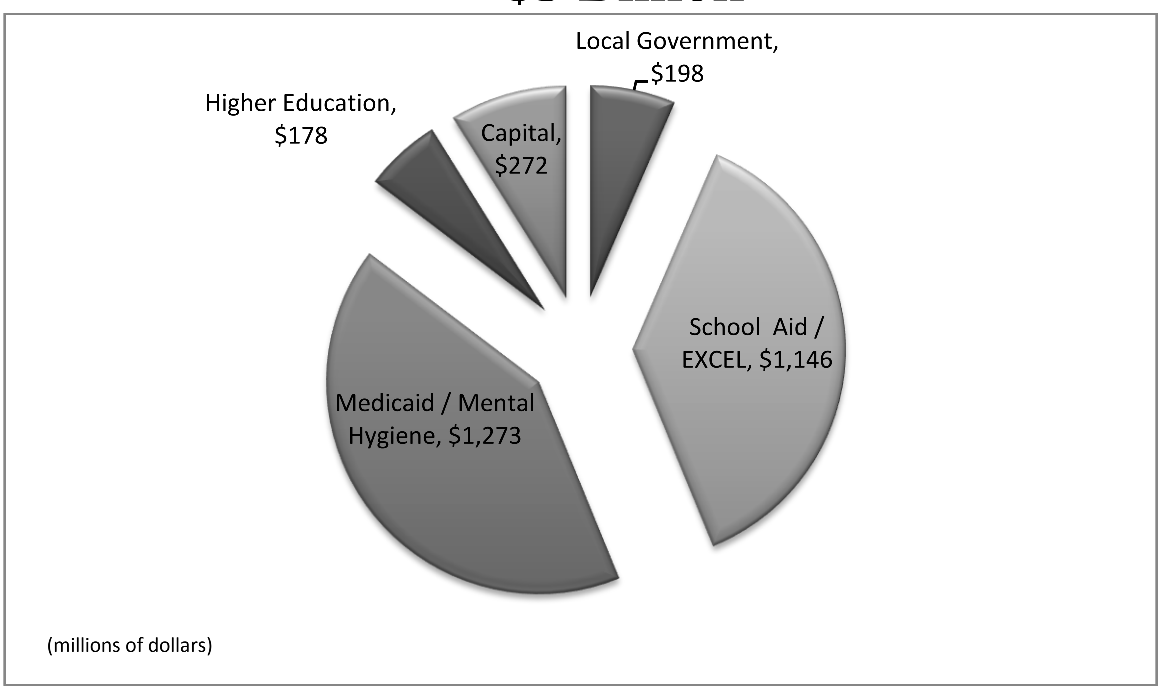
Detail may not total due to rounding.

**Adjusted SFY 2008-09 excludes $777 million for the Medicaid Cap / Family Health Plus takeover and $1.2 billion for the STAR Plus Program.*

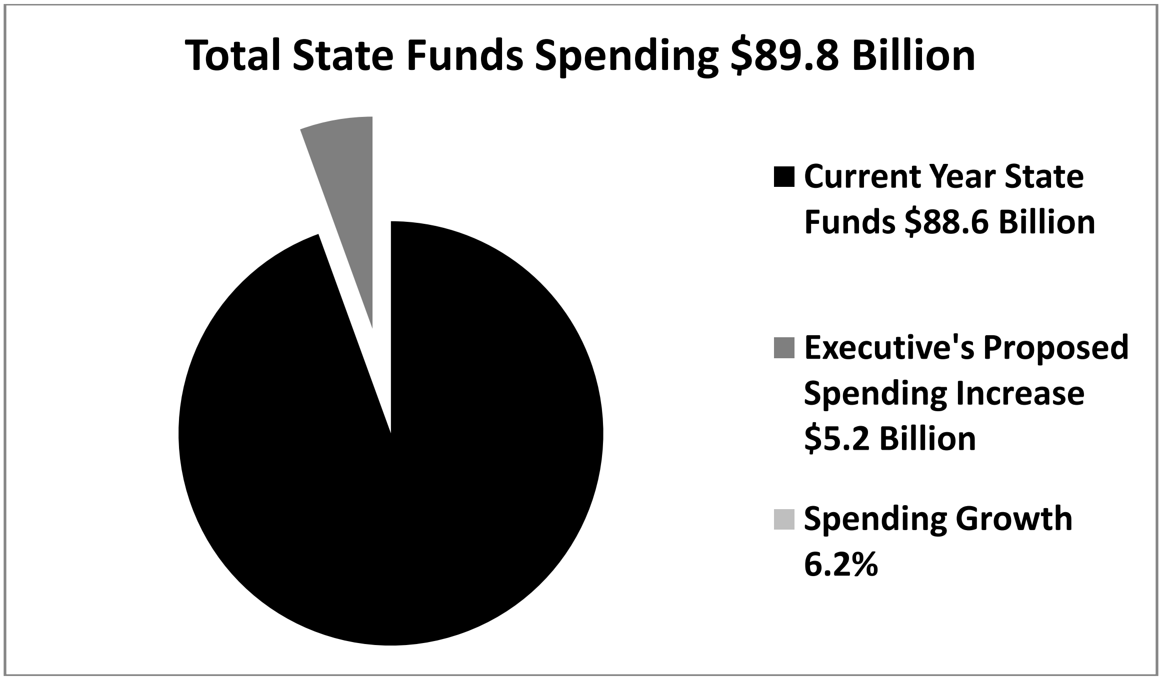
All Funds Spending Growth
$6 Billion

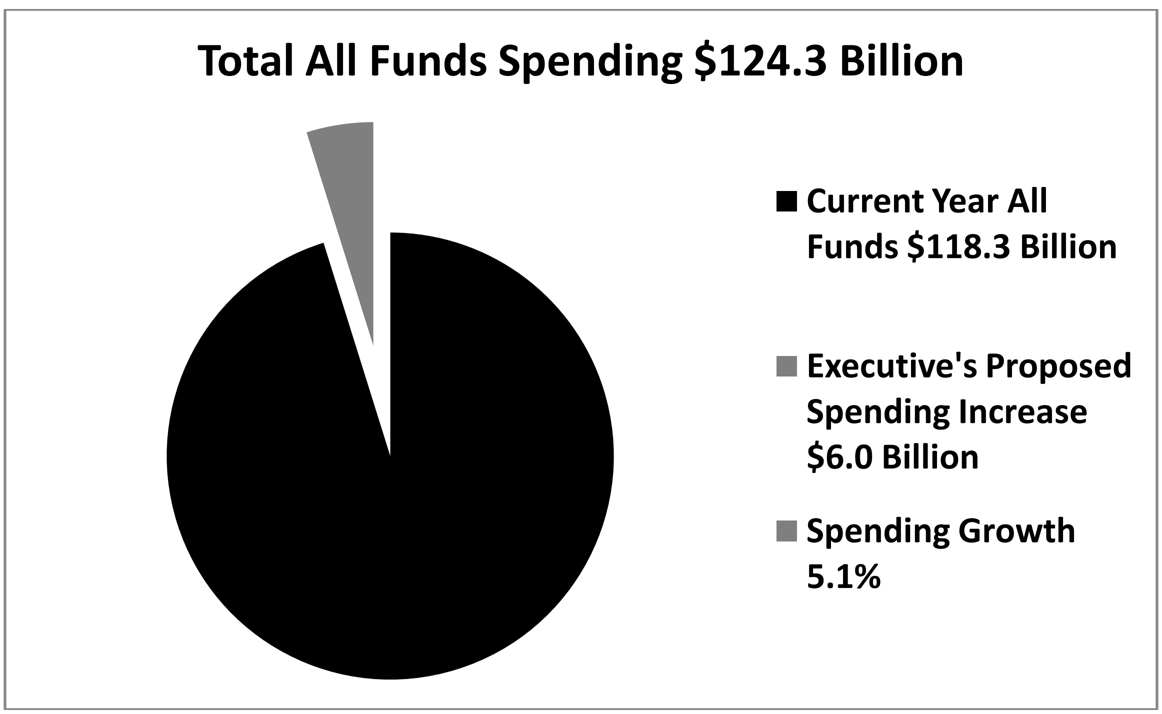


General Fund Spending Growth
$3 Billion



2008-09 Executive Budget





PROPOSED WORKFORCE CHANGE FOR SFY 2008-09

The Executive Budget proposes a net State workforce growth of 1,846
The projected fill level for March 31, 2009 is 201,270 positions.

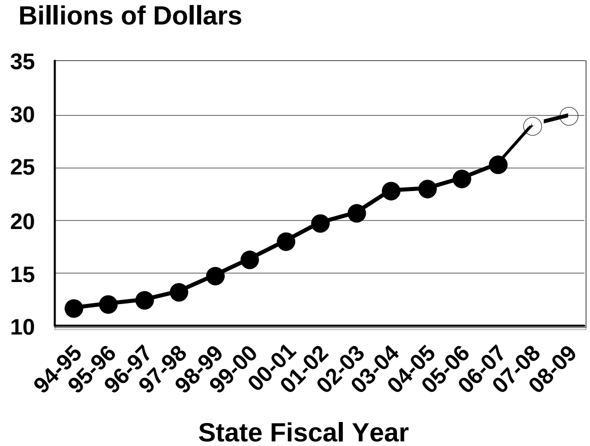
AGENCY WORKFORCE INCREASES	FTEs
Transportation	322
Health	256
Medicaid Inspector General	227
Mental Health	163
Mental Retardation	152
City University	140
Parole	119
Audit and Control	114
Motor Vechicles	114
Education	113
Taxation and Finance	75
Roswell Park Cancer Institue	75
State Insurance Fund	75
Law	61
State	38
Parks, Recreation and Historic Preservation	32
General Services	25
Insurance	24
Alcoholism and Substance Abuse Services	20
Budget	20
Technology	20
Quality of Care for the Disabled	18
Economic Development	15
Civil Service	11
State University Construction Fund	10
Consumer Protection	7
Homeland Security	6
State University	5
Authority Budget Office	5
Public Integrity	5
Environmental Conservation	4
Intrest on Lawyer Account	4
Human Rights	2
Military and Naval Affairs	2
National Community Service	2
Veterans Affairs	1
INCREASE IN FTEs TOTAL	**2,282**

AGENCY WORKFORCE REDUCTIONS	FTEs
Labor	(4)
Aging	(6)
Capital Defender	(7)
Real Property Services	(8)
Agriculture and Markets	(15)
Correctional Services	(153)
Childern and Family Service	(243)
DECREASE IN FTEs TOTAL	**(436)**

NET CHANGE IN FTEs	1,846

EDUCATION

All Funds Disbursements (Millions of Dollars)	Estimated SFY 07-08	Projected SFY 08-09
Cash	29,344	30,763
Annual Growth Rate	9.4%	4.9%
5 Year Average Growth (Actual)		5.2%



The SFY 2008-09 Executive Budget provides for a $1.45 billion school year increase in General Support for Public Schools. This General Support for Public Schools increase and other Executive Budget recommendations translate into a $1.41 billion disbursement increase for SFY 2008-09. This increases total school aid to $21 billion for school year 2008-09. The largest component of this increase is an $898 million increase in Foundation aid. The Executive also proposes increases in Universal Pre-kindergarten of $78 million and fully funds present law increases of $174 million for building aid and $108 million for transportation aid. Academic Achievement grants to New York City are increased by $90 million as well.

This $1.45 billion school aid increase represents the second year of a planned four year $7.6 billion increase in school aid which was enacted as part of the SFY 2007-08 Budget. When combined with the $1.78 billion increase provided in school year 2007-08 the Executive school aid proposal will have increased $3.23 billion in two years, an 18 percent increase.

However, the 2008-09 Executive Budget proposal does reduce school aid compared to present law for both Foundation aid and BOCES aid. This is achieved by a slower phase-in schedule for Foundation aid, revisions to the Foundation aid formula, as well as cuts in BOCES aid ratios.

Foundation aid: Foundation aid was enacted in the SFY 2007-08 Budget and is being fully phased-in over a four year period. In 2007-08, school districts were provided with 20 percent of total additional Foundation aid generated by the new formula. Current law provides that school districts would receive 42.5 percent of the new foundation aid calculated. The remainder of the additional aid would phase-in by 2010-2011.

The Executive is proposing to alter the phase-in of the aid formula by reducing the phase-in factor to 37.5 percent for SFY 2008-09. As a result, the SFY 2008-09 Executive Budget proposal provides $118 million less in Foundation aid than present law would have driven. The Executive also reduced the minimum increase from three percent to two percent for save-harmless districts.

In addition, the Executive reduced state aid ratios for certain school districts which caused the number of save-harmless districts to increase to 206 (there were 150 save-harmless districts in the 2007-08 school year). The Governor's original proposal in 2007 placed 304 school districts on save-harmless. There are 677 school districts statewide.

The Executive also enhanced Foundation aid ratios for high needs school districts. This change provides a windfall for those districts compared to present law calculations.

Building aid: The Executive fully funds the $174 million present law increase for Building aid for 2008-09. However, the Executive proposes to eliminate the Building aid ratio selection beginning with projects approved by voters after July 1, 2008. In addition the Executive proposes to discontinue Reorganization Building aid for new projects which are approved by voters ten years after the school district reorganization. Also, the Governor proposes a change for Building aid to extend to New York City payment timing provisions for new construction that currently apply to the rest of state.

High Tax Aid: The Executive maintains funding at $100 million for High Tax aid but redistributes aid between school districts compared to the 2007-08 distribution. This new distribution methodology relies on residential tax effort to generate aid but also requires districts to meet minimum spending requirements and be below certain wealth levels in order to qualify for this aid category.

Supplemental Excess Cost aid: The Executive eliminates this $19 million aid category which provided additional aid for 90 school districts in 2007-08 with increasing special education enrollment and costs which are not being fully funded under the Foundation aid formula.

Academic Achievement Grants: The Executive increases these grants by $90 million for New York City (up from $89 million in 2007-08). The grant for Yonkers is increased from $8.5 million to $17.5 million.

BOCES aid: BOCES aid is cut $31 million below 2007-08 levels which represents a $65 million cut against present law levels. The Executive proposal alters the calculation of the BOCES shared services aid ratio which reduces aid reimbursement to 425 school districts while other districts will receive enhanced aid ratios as compared to current law.

Universal Pre-k: The Executive proposes to expand Universal Pre-kindergarten by $78 million for the 2008-09 School Year. The Executive proposes three tiers for expansion of this program based upon previous school district participation levels in the Universal Pre-kindergarten program.

Additional Formula School Aid: The Executive proposes to fund present law for transportation aid (+$108 million), private excess cost aid (+$11.97 million), high cost excess cost aid (+$25 million), reorganization operating (+$2.86 million), charter school transition aid (+$870,000), textbook aid (-$260,000), software aid (+$550,000), Library materials (-$10,000), and hardware aid (+$160,000),

Preschool Special Education: The Executive is proposing to limit the growth in Preschool costs borne by the counties and shift certain costs to school districts.

Currently, the State Pays 59.5 percent of the costs of this program and counties contribute the remaining 40.5 percent. The Executive's plan limits growth in the county costs by restricting the increase in county costs for 2007-08 (reimbursed in SFY 2008-09) to no more than four percent growth over the previous year. This cap will be reduced to three percent annual growth beginning in the 2010-2011 aid year. The State will pick up Preschool Special Education costs that exceed four percent growth. This cap will provide $20 million in cost relief to counties in SFY 2008-09.

The Executive also proposes to shift the programmatic and related fiscal responsibilities for preschool child evaluations and the administration of the Committee of Preschool Education (CPSE) from the State to school districts. In addition, school districts would be responsible for the current State share for evaluations and CPSE administration costs. The effect of this proposal would be to shift to school districts $46 million in costs for the SFY 2008-09 that are currently borne by the State.

Nonpublic School Aid: This program is enhanced by $15 million to fully fund the cost of new attendance taking requirements that were initially reimbursed by the State in SFY 2007-08.

Public Library Aid: Library aid is cut by $5.0 million. Library construction capital is maintained at $14 million as in previous years.

Independent Living Centers ($11.7 million): Independent Living Center funding is reduced by $1.5 million from SFY 2007-08 levels.

New Educational Programs

Tuition Free SUNY/CUNY Syracuse Demonstration Program: The Executive has proposed to provide free SUNY and CUNY attendance (tuition and fees) to any graduate from the Syracuse City School District provided certain academic requirements are met.

This program will limit students to eight qualifying undergraduate semesters, or the equivalent of four academic years, unless enrolled in a program which normally requires five academic years to complete. No recipient in part-time attendance may receive this award for more than 16 semesters of undergraduate study.

Contracts for Excellence: For 2008-09 the Executive is proposing to expand the list of allowable programs to include programs which are beneficial to English language learners. The Executive would also specify that a school district would need to have a school in need of improvement for two years before the provisions of this program would apply.

Healthy Schools Act: In addition to including $5 million for low income students to offset the cost of school meals, the Executive has advanced as part of the Article VII legislation a version of a 2007 program bill to regulate the sale and consumption of food and beverages by students at school and school related events.

Education Tax Initiatives:

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

Based upon this three year agreement enacted in the SFY 2007-08 Budget the total value of the rebate checks in 2007-08 increased from $775 million to over $1.1 billion. Current law provides that the rebate checks should increase to over $1.3 billion in 2008-09 and to $1.5 billion in 2009-2010.

The Executive is currently proposing to freeze the planned expansion of both Rebate checks and the New York City Personal Income Tax Credit for non-seniors for 2008-09. This represents a $209 million cut against the agreement enacted in the SFY 2007-08 State Budget. The Executive SFY 2008-09 proposal does allow for the scheduled expansion of the senior rebate checks (+$89 million).

The Executive is also taking savings by eliminating the NYC Personal Income Tax Credit for persons who earn over $250,000 for a savings of $20 million against present law. Additional savings are taken by allowing the Tax Department to offset rebate checks against tax and other (i.e. child support) debts. This reduces the rebate checks by an additional $15 million.

The Executive proposes to modify the traditional STAR program by allowing STAR exemptions to decline by as much as ten percent, currently they cannot fall by more than five percent. This action provides $110 million less in property tax relief than is generated under the current STAR program. In total the Executive with all the above actions is reducing property tax relief by $354 million compared to current law. For additional information refer to the Issues in Focus section of this report.

***Commission on Property Tax Relief*:** The Governor issued Executive Order 22 on January 22, 2008 creating "The New York State Commission on Property Tax Relief". This Commission is charged to examine a number of items including the effectiveness of property tax caps as a mechanism to control growth in school district tax levies as well as "the most effective approach to impose a limit on local school property tax growth without adversely impacting the ability of school districts to provide quality education to all students." The Commission's charge is detailed in greater depth in the "Issues in Focus" section.

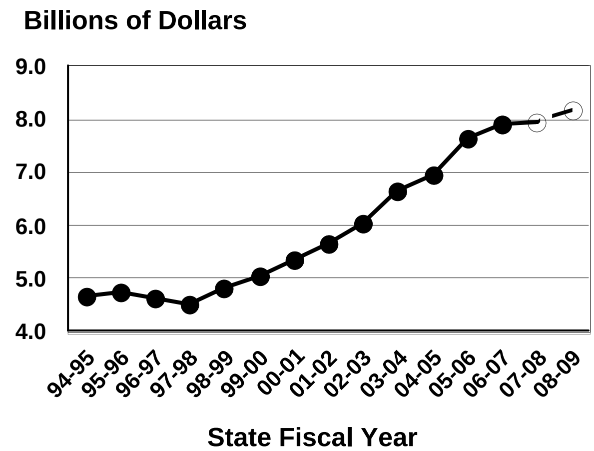
This Commission has been given Moreland Act powers to subpoena witnesses and information. This Commission is headed by Nassau County Executive Thomas Suozzi and will issue an interim report by May 15, 2008 with a final report due on December 1, 2008.

Education
Proposed Disbursements - All Funds

(Thousands of Dollars)				
	Estimated	Proposed	Change	
Agency	2007-08	2008-09	Amount	Percent
School Aid	21,768	23,148	1,380	6.3%
STAR	4,678	4,712	34	0.7%
Programs for the Disabled	1,719	1,752	33	1.9%
All Other	1,098	1,069	(29)	-2.6%
Totals:	**29,263**	**30,681**	**1,418**	**4.8%**

HIGHER EDUCATION

All Funds Disbursements (Thousands of Dollars)	Estimated SFY 07-08	Projected SFY 08-09
Cash	7,936,935	8,166,322
Annual Growth Rate	0.2%	2.9%
5 Year Average Growth (Actual)		7.0%



The SFY 2008-09 Executive Budget recommends All Funds disbursements of $8.16 billion for New York State public and private higher education programs, an increase of $239 million or 2.9 percent over current funding levels. The funding increase is almost entirely induced by mandatory and collectively bargained agreements and growth in other non-General Fund spending. Key programs such as the Tuition Assistance Program (TAP) and SUNY and CUNY operating actually experience reductions.

The rising costs of college education, student indebtedness and higher education access and quality in New York State remain a major concern to New York State citizens. Last year the Senate Majority passed legislation to address the issue of college affordability for New Yorkers. The Executive established a commission to review New York State higher education and make recommendations (see the *Issues in Focus* section of this publication for greater details).

The Executive SFY 2008-09 higher education spending plan does not include any proposals to address the challenges middle class New Yorkers face in financing a college education. Both the Senate 2007 College Affordability Plan and the preliminary report of the Commission on Higher Education include proposals to expand and enhance the Tuition Assistance Program to help more middle class New Yorkers, hire new full-time faculty at SUNY and CUNY, and increase base aid for community colleges (see the *Issues in Focus* section of this publication for greater details).

Overview of SUNY and CUNY Budgets

The Budget recommends combined disbursements of $7.19 billion for the two State public university systems - SUNY and CUNY - reflecting an increase of $276.5 million or 4 percent from the current year funding level. All Funds disbursements for CUNY are expected to increase by $178.3 million or 15.6 percent, and for SUNY by $98.1 million or one percent. The increases are partially offset by lower estimated disbursements by Higher Education Services Corporation, $39.9 million or 4.2 percent attributable to reductions in TAP spending.

Approximately $2.81 billion in General Fund support is recommended for the SUNY system, an increase of $47.9 million or 1.7 percent over the current year adjusted level. General Fund support of $2.36 billion is recommended for the SUNY State-operated and statutory colleges, a decrease of $42 million or 1.8 percent from the current year. General Fund support of $1.21 billion is recommended for the CUNY system, an increase of $73.6 million or 6.8 percent. Additional program details are presented in the attached year to year comparison chart and in the agency detail section of this publication. Recommended operating appropriations for both SUNY State-operated and statutory campuses and CUNY Senior colleges reflect a base level reduction of $50 million ($34.2 million at SUNY and $16.7 million at CUNY). The Executive anticipates that both systems would be able to achieve the efficiency savings through proposed Article VII language which would provide greater operating flexibility.

Community Colleges Base Aid

The SFY 2008-09 Executive Budget reduces CUNY and SUNY community college base operating aid per full-time equivalent student (FTE) by $50, from $2,675 to $2,625. The proposed base aid total for SUNY Community Colleges is $438 million, an increase of $4.9 million. The increase partially reflects a current year base increase of $3.4 million attributable to enrollment growth, offset by a $6.2 million reduction in base aid per FTE. In SFY 2008-09, State operating support for CUNY Community Colleges' base aid would increase to $163.7 million from $162.2 million in the current year, an increase of $1.5 million or one percent from the current year. The increase is partially reflective of a $2.1 million increase in funding attributable to enrollment growth, offset by a $3.1 million decrease in base aid per FTE funding *(see SUNY and CUNY in agency detail section for other community college programs).*

New York State Higher Education Endowment

The preliminary report of the New York State ***Commission on Higher Education*** includes recommendations to establish a $3 billion Empire State Innovation Research Fund to support academic research in New York State public and private colleges and universities, and to hire 2,000 new full-time faculty, including 250 eminent scholars at CUNY and SUNY over the next five years.

The SFY 2008-09 Executive Budget includes Article VII language that would establish the New York State Higher Education Endowment, ostensibly to provide the needed funds for upgrading research infrastructure in New York State public and private universities, recruit additional full-time faculty members at SUNY and CUNY, increase student financial aid and improve access, and make grants for research and development. Initial funding for the endowment is expected to come from a proposal to monetize New York State Lottery revenues.

Total State operating investments at SUNY and CUNY, coupled with approximately $800 million for the Tuition Assistance Program, represents a significant investment in higher education. Considering these enormous investments, the issues of performance, accountability and benchmarking are critically important. As shown in the *Postsecondary Enrollment, Tuition and State Appropriations* chart below, New York State public universities' tuition and fee rates are very competitive nationally. Tuition and fee rates are higher in Illinois, Massachusetts, Michigan, New Jersey, Pennsylvania, and Virginia than in New York. When financial aid spending is considered, a category in which New York comes in first among fifty states, New York's tuition and fee rates are among the lowest in the nation. While New York public universities need State assistance to further build their national and international status, innovative leadership and efficient allocation of scarce resources should be a key component of any new initiative. For example, as shown in chart below, state appropriations for operating and financial aid total $4.8 billion and $937 million respectively.

Based on national Postsecondary Enrollment, Tuition and State Appropriations data (see chart below), operating expenditures per student in New York public universities are $7,771, the highest of any state. California spends $2,372 less per student and Pennsylvania $2,107 less. Yet as seen in the *Federal Research-and-Development Expenditures* chart below, seven California public universities are among the nation's top 100 in Federal research dollars, attracting a combined $2 billion to the State. New York, on the other hand, features three universities among the top 100, attracting $381 million to the State in 2006.

Tuition Assistance Program (TAP)

The SFY 2008-09 Executive Budget recommends $796 million for the Tuition Assistance Program, a decrease of $78 million from the current year. Prior year eligibility reforms related to tougher academic standards and use of Ability to Benefit Test (ATB) are primarily responsible for the decrease in TAP expenditures. The Executive Budget proposes legislation that would disallow students who are in default on any governmental education loans from receiving TAP awards. Language is also proposed to allow the Higher Education Services Corporation (HESC) to obtain certain information from the Department of Taxation to aid its default collection efforts.

The Executive TAP proposal continues the current maximum award of $5,000 and minimum of $500 for qualified students in full-time attendance. TAP expenditures and TAP recipients have been decreasing over the past three years owing to accountability reforms enacted to prevent abuse. This year, approximately 311,000 students are projected to receive an average TAP award of $2,588. Last year, 312,000 students received an average of $2,582 in awards.

Financial Aid and Opportunity Programs

Funding for many higher education scholarship and grant programs would remain level in SFY 2008-09, with the exception of Direct Institutional Aid for the Independent colleges and universities (BUNDY Aid), which is being reduced by $3.7 million, from $46.2 million to $42.5 million. In addition, programmatic increases made by the Legislature in SFY 2007-08, ranging from three to five percent to the following programs were eliminated in the SFY 2008-09 Executive proposal. The proposed funding levels are as follows:

- SUNY's Educational Opportunity Program (EOP): $19.8 million.
- CUNY's SEEK: $16.3 million.
- Higher Education Opportunity Program (HEOP): $24.2 million.
- College Discovery program: $839,000.
- Liberty Partnership: $12 million.
- Teacher Opportunity Corps: $713,000.
- Senator Patricia McGee Nursing Faculty/Loan Forgiveness Program: $4 million
- Social Worker Loan Forgiveness Program: $1 million

Top Public Universities in Federal Research-and-Development Expenditures - 2006			
2006 Rank	***University***	***Fiscal 2005 ($)***	***Fiscal 2006 ($)***
1	U. of Washington	606,317,000	650,394,000
3	U. of Michigan	554,516,000	565,739,000
5	U. of Wisconsin at Madison	477,582,000	491,810,000
6	U. of California – Los Angeles	469,889,000	483,873,000
9	U. of California – San Francisco	438,988,000	464,660,000
10	U. of California – San Diego	463,946,000	463,807,000
18	Pennsylvania State U.	358,569,000	367,215,000
21	U. North Carolina – Chapel Hill	320,294,000	329,215,000
22	U. Minnesota	319,771,000	326,170,000
23	Ohio State U.	294,053,000	315,914,000
27	U. of Alabama at Birmingham	288,434,000	292,962,000
30	U. Texas at Austin	254,529,000	273,147,000
33	U. Illinois at Urbana-Champaign	289,985,000	264,645,000
34	U. California at Berkeley	290,960,000	261,718,000
40	U. of California at Davis	240,003,000	248,190,000
59	U. of California at Irvine	161,524,000	169,983,000
64	**U. at Buffalo - SUNY**	**151,890,000**	**153,152,000**
71	U. of Massachusetts at Worcester	130,680,000	136,141,000
73	Rutgers U.	137,609,000	129,456,000
85	**Stony Brook U. - SUNY**	**125,781,000**	**112,973,000**
91	**U. at Albany - SUNY**	**103,941,000**	**103,835,000**
	Total, top 100 Institutions	23,525,670,000	24,265,791,000
	Total, all Institutions	29,033,156,000	29,191,369,000
	Source: The Chronicle of Higher Education, October 5, 2007		

Postsecondary Enrollment, Tuition & Fees and State Appropriations - Selected States						
State	**Enrollment 2005-06**		**Average 2005-06 Tuition and Fees ($)**		**State Appropriations (thousands $)**	
	Public	**Private**	**Public 4-Yr**	**Private 4-Yr**	**Operating Aid (2006-07)**	**Financial Aid (2005-06)**
California	2,008,155	391,676	4,408	21,691	10,842,321	799,261
Florida	648,999	223,663	2,941	17,503	3,525,639	512,048
Georgia	342,012	84,638	3,632	18,120	2,208,459	477,791
Illinois	555,149	277,818	7,158	19,406	2,791,287	390,270
Massachusetts	188,295	255,021	7,290	27,335	996,025	109,654
Michigan	505,585	121,165	6,938	13,303	2,074,370	284,003
New jersey	304,315	75,443	8,649	22,114	1,973,121	400,868
New York	**626,222**	**525,859**	**4,987**	**22,900**	**4,866,947**	**937,079**
Pennsylvania	380,271	312,069	8,710	23,450	2,153,998	444,846
Texas	1,081,335	159,372	4,666	16,809	4,457,576	523,263
Virginia	349,195	89,971	5,912	17,185	1,856,731	223,884
Source: The 2007-08 Almanac. The Chronicle of Higher Education, Volume LIV, No. 1, August 31, 2007.						

The Volunteer Recruitment Service Scholarship program is continued at the current level of $4 million, and the Maritime Scholarship at SUNY would continue at the SFY 2007-08 level of $250,000 (See *Summary of Proposed Spending* chart for appropriations for other programs at the back of this section).

Empire Innovation Program

The SFY 2008-09 Executive Budget continues funding for the Empire Innovation Program at the current year's level ($9 million at CUNY and $12 million at SUNY). This program is intended to promote research and academic quality, generate additional federal/private research grants, and increase the number of full-time faculty. In SFY 2007-08, the Legislature provided an additional $10 million to SUNY and $6.2 million to CUNY to supplement their programmatic investments.

SUNY Hospitals

The SFY 2008-09 Executive Budget maintains the existing appropriation structure (instituted in SFY 2001-02), under which the SUNY Hospitals' finances are separated from SUNY system finances. This structure allows the hospitals to pay their own operating and debt service costs. In accordance with this arrangement, the Executive Budget proposal provides for a subsidy of $154.1 million, an increase of $7.8 million or 5 percent, for the three teaching hospitals at Stony Brook, Syracuse and Brooklyn. The increase is attributable to collective bargaining and fringe benefit costs and is in accordance with the State methodology used to determine the State subsidy.

SUNY and CUNY Capital Plans

The SFY 2008-09 Executive Budget proposes a new $9.3 billion five-year capital plan for SUNY and CUNY. The plan provides $6.5 billion for the SUNY system and $2.8 billion for the CUNY system. (See the higher education capital plan in the *Issues in Focus* section of this publication for details.) The balance of the existing $6.88 billion five-year plan (SUNY: $4.76 billion, CUNY: $2.12 billion), enacted in SFYs 2003-04 and 2004-05 and supplemented in SFY 2006-07 and 2007-08, is proposed for reappropriation.

Flexibility for SUNY and CUNY

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

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

- Permit SUNY and CUNY to purchase goods and services without prior approval, subject to the post-audit review by the Comptroller.
- Authorize the SUNY Board of Trustees to sell or exchange real or

personal property without prior approval, subject to regulations governing sale by public authorities.

- Allow not-for-profit organizations affiliated with SUNY to participate in Office of General Services-maintained centralized contracts.

- Increase appropriation amounts that can be interchanged by SUNY Trustees.

- Authorize SUNY to lease lands to public or private entities for the purposes of construction or rehabilitation, and make affiliated not-for-profit entities eligible for DASNY financing.

- Permit SUNY Healthcare Centers to enter into contract and participate in joint ventures, subject to annual reporting.

- Permit the State University Construction Fund to establish standards and guidelines for procurement consistent with that of public authorities, and to use alternative construction methods.

New York State Council on the Arts (NYSCA)

- The Executive Budget recommends All Funds appropriations of $60.7 million for SFY 2008-09, a decrease of $2.2 million or 3.6 percent over current year levels. Highlights include the following:

- State Operations spending is reduced by $1.2 million as a result of the partial elimination of deficiency funding provided to the New York State Theatre Institute (NYSTI) in SFY 2007-08 for retroactive and current fringe benefit costs for NYSTI employees which were not accounted for in previous budgets.

- Small administrative funding increases occur for NYSCA ($76,000) and the Empire State Performing Arts Center ($16,000);

- Aid to Localities funding is reduced by $1 million due to the removal of a dry appropriation for the Arts Institutions Revolving Loan Fund; and

- Grant funding for NYSCA remains unchanged from the SFY 2007-08 level of $49 million.

Article VII Proposals

The Executive Budget includes Article VII legislation proposals related to higher education to:

- Establish the University Capital Projects Review Board.

- Establish the New York State Higher Education Endowment to be funded through the monetization of New York State Lottery revenues.

- Expand the Optional Retirement Program investment choices to include mutual funds investments.

- Clarify the funding arrangement for the enhanced Optional Retirement Program benefits provided by 2007 legislation.

- Enhance regulatory flexibility for SUNY and CUNY (see SUNY and CUNY deregulation above).

- Enhance Tuition Assistance for Combat Veterans.

- Amend TAP eligibility requirements to deny awards to students in default on Federal education loans.

- Establish a "demonstration program" of guaranteed payment of full tuition and fees for attendance at SUNY and CUNY for high school students enrolled in the city of Syracuse school district beginning with the 2009 graduating class.

- Authorize the State Education Department to enter into a memorandum of understanding with the State Attorney General for support of ordinary costs and expenses related to the Student Lending Accountability, Transparency and Enforcement (SLATE) Act.

- Extend the Regents Professional Opportunity and the Regents Health Care Professional Opportunity Scholarship programs for one year.

- Authorize the Higher Education Services Corporation to obtain certain information from the Department of Taxation and Finance in its default collection and prevention efforts.

SUMMARY OF PROPOSED SPENDING IN HIGHER EDUCATION - SFY 2008-09 EXECUTIVE BUDGET ($)				
PROGRAMS	***2007-08 ADJUSTED***	***2008-09 PROPOSED***	***CHANGE***	***% CHANGE***
Direct Institutional (BUNDY AID)	46,238,000	42,562,000	(3,676,000)	-8.0%
Tuition Assistance Program (TAP)	874,271,000	796,353,000	(77,918,000)	-8.9%
Aid For Part-time Study (APTS)	14,630,000	14,630,000	0	0.0%
Higher Education Opportunity Programs (HEOP)	25,237,000	24,200,000	(1,037,000)	-4.1%
Independent Colleges Nursing Programs	1,027,000	0	(1,027,000)	-100%
Educational Opportunity Program (EOP)	20,428,111	19,804,100	624,011	-3.1%
Search for Education, Elevation and Knowledge (SEEK)	16,953,040	16,398,000	(555,040)	-3.3%
College Discovery (CD)	881,265	839,300	(41,965)	-4.8%
STEP/C-STEP	19,000,000	19,000,000	0	0.0%
Liberty Partnerships	12,556,000	12,018,000	(538,000)	-4.3%
Native American Postsecondary Aid	635,000	635,000	0	0.0%
Vietnam/Persian Gulf/Afghan Veterans Tuition Award	2,000,000	4,000,000	0	100.0%
American Airlines Flight 587 Scholarship Program	250,000	250,000	0	0.0%
World Trade Center Memorial Scholarship Program	5,000,000	5,000,000	0	0.0%
Volunteer Recruitment Service Scholarship Program	4,000,000	4,000,000	0	0.0%
Teacher Opportunity Corps	713,000	713,000	0	0%
Senator McGee Nursing Faculty Scholarship/Loan Forgiveness Program	4,000,000	4,000,000	0	0%
Math, Science and Engineering Teaching Incentive Program	2,200,000	2,200,000	0	0%
Social Worker Loan Forgiveness Program	1,000,000	1,000,000	0	0%
Operating Budget				
SUNY				
SUNY State-operated Campuses	3,371,748,000	3,413,756,000	42,008,000	1.2%
SUNY Tuition/Fees Revenues	1,050,023,000	1,050,023,000	0	0%
SUNY Empire Innovation	12,000,000	12,000,000	0	0%
SUNY Community College Aid	433,097,713	438,094,000	4,996,287	1.2%
SUNY Rental Aid	9,184,000	9,184,000	0	0%
SUNY Capital Plan	379,700,500	4,286,295,000	3,906,595,000	1,028.9%
CUNY				
CUNY Senior Colleges	1,647,937,000	1,700,569,000	52,632,000	3.19%
CUNY Tuition/Fees Revenues	641,392,000	658,133,000	16,741,000	2.6%
CUNY Empire Innovation	9,000,000	9,000,000	0	0.0%
CUNY Community College Aid	162,216,750	163,781,300	1,564,550	1.0%
CUNY Capital Plan	265,800,000	1,699,602,000	1,433,802,000	539.4%
CUNY Rental Aid	4,906,000	7,279,000	2,373,000	48.4%

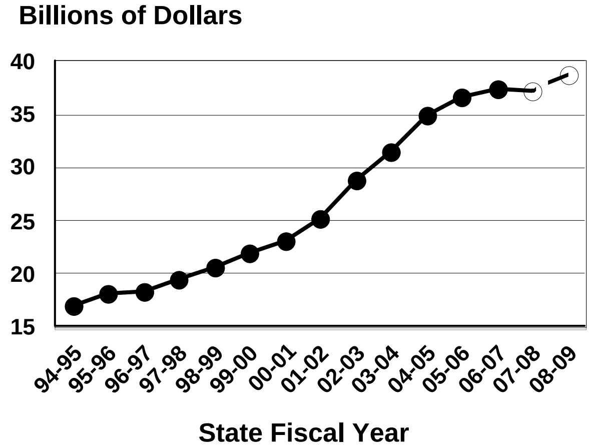
Higher Education
Proposed Disbursements - All Funds

(Thousands of Dollars)

Agency	Estimated 2007-08	Proposed 2008-09	Change Amount	Change Percent
SUNY	5,774,221	5,872,410	98,189	1.7%
CUNY	1,143,206	1,321,507	178,301	15.6%
Higher Education Services Corp.	954,454	914,493	(39,961)	-4.2%
Office of Science, Technology & Academic Research	52,576	44,232	(8,344)	-15.9%
SUNY Construction Fund	12,478	13,680	1,202	9.6%
Totals:	**7,936,935**	**8,166,322**	**229,387**	**2.9%**

HEALTH - MEDICAID

All Funds Disbursements (Millions of Dollars)	Estimated SFY 07-08	Projected SFY 08-09
Cash	37,314	38,672
Annual Growth Rate	-1.3%	3.8%
5 Year Average Growth (Actual)		4.2%



Proposed Department of Health (DoH) spending for SFY 2008-09 is recommended at 38.7 billion, which represents a spending increase of $1.4 billion or 3.8 percent from the current year.

Of the $1.4 billion in increased health care spending, $1.3 billion is attributed to increased spending in the Medicaid program, along with $57 million as a result of increased spending on public health initiatives. The $1.3 billion in increased Medicaid spending is a result of: a $2.7 billion increase in spending as a result of projected program growth; increased costs associated with the local Medicaid cap; increases in the cost of the Family Health Plus (FHP) program; and increased spending for new initiatives. This increased spending of $2.7 billion is offset by $1.4 billion in proposed cost saving measures in the spending categories of, pharmaceutical, hospital, and long term care and other spending reductions.

The remaining $57 million of the $1.4 billion in increased spending is for public health programs as follows: $219 million for Elderly Pharmaceutical Insurance Coverage, HEAL NY, Child Health Plus, Early Intervention, General Public Health Works, and new initiatives. These spending increases are offset by $162 million in public health program savings initiatives.

<u>Health Care Cost Saving Measures</u>

The SFY 2008-09 Executive Budget includes Medicaid, HCRA and Public Health cost savings proposals that would result in State savings of $856 million.

For Hospital and Ambulatory Care Services, the SFY 2008-09 Executive Budget includes several restructuring and reallocation actions that would result in $128 million in savings, including proposals to:

- Provide for an update in methodology by which rates paid to hospitals for inpatient services are determined. The change would be implemented over a four year period, using a 2005 base year instead of a 1981 base year. The Executive has indicated that the change will take $600 million in Medicaid funds out of the hospital system;

- Phase out over a four year period, the public hospital worker retention funding;
- Require hospitals to update the payment coding system and have accurate patient codes at the time of admission;
- Change the specialty rates paid to hospitals for psychiatric services to a per-diem based payment;
- Expand selective contracting and contract for specific high cost services;
- Reduce or eliminate the occurrence of “Never Events” or events that should never happen (i.e. the amputation of the wrong limb);
- Establish new payment rates for inpatient detoxification services;
- Encourage the use of lower cost settings for patient care;
- Establish an ambulatory patient group (APG) method of reimbursement for outpatient services based on the severity of service provided instead of a flat rate;
- Increase physician’s fees. Rates paid for services would be increased to reflect 75 percent of the Medicare fee schedule;
- Provide rate enhancements for community based clinics that offer extended or weekend hours;
- Provide enhanced rates for diabetes and asthma education, case management services for high risk pregnancies, and social workers that provide mental health services for children and maternal populations;

For Pharmaceuticals, the Executive Budget recommends $172 million in State savings, including initiatives to:

- Lower reimbursement rates to pharmacies for brand name drugs under the Medicaid and EPIC programs;
- Add new drugs to the Preferred Drug Program and the Clinical Drug Review Program;
- Maximize the use of the Federal Medicare Part D program for those enrolled in the EPIC program;
- Establish a Medication Therapy Management Program;
- Establish a Physician Pharmaceutical Education Program;
- Enhance the Drug Utilization Review (DUR) Program;
- Increase participation in the Federal 340-b program;
- Authorize use of “bulk purchasing agreements” for prescription Drugs;
- Establish controls on early refills of prescription drugs;
- Establish a specialty pharmacy program for high cost drugs; and
- Carve out prescription drug benefits from the Family Health Plus plan.

For Managed Care, the SFY 2008-09 Executive Budget includes $35 million in State savings, including initiatives to:

- Reduce the premium increase for family health plus and Medicaid managed care programs by 1/2 percent;
- Impose a 50 percent premium reduction for the managed long term care program ;
- Impose an additional premium reduction on the family health plus and Medicaid managed care programs. Funds would be reinvested in the expansion of facilitated enrollment services;
- Expand mandatory enrollment of SSI recipients into the managed care program; and amends the definition of severe and persistent mental illness to increase the number of individuals eligible for mandatory enrollment into the managed care program.

For long term care services, the SFY 2008-09 Executive Budget includes $152 million in cost savings measures, including initiatives to:

- Eliminate the first two years of nursing home rebasing transition funding;
- Reduce the trend factor for nursing homes, home care and personal care services by 25 percent;
- Reduce the administrative reimbursement for certified home health agencies (CHHA) and long term home health program (LTHHP); and
- Establish a three year personal care utilization demonstration program for New York City;

Other cost saving actions or reductions total $197 million, including the following:

- Increasing Medicaid fraud audit recoveries;
- Establishing a diabetes care management program;
- Establishing a prenatal care registry;
- Updating the Medicaid utilization thresholds.

The SFY 2008-09 Executive Budget proposes to expand Child Health Plus (CHP) to 400 percent of the Federal Poverty Level (FPL) at a cost of $19 million. The expansion would be paid for with State only funds from the Health Care Reform Act (HCRA) Resources Fund.

Family Health Plus

The Executive proposal would allow employers to offer Family Health Plus (FHP) with a less comprehensive benefit package to employees that would be otherwise be ineligible for FHP, providing that such plan includes all State mandated benefits.

State Enrollment Portal

The Executive propose to authorize New York State to directly enroll recipients into the CHP, FHP and Medicaid program.

Health Care Reform Act (HCRA)

The SFY 2008-09 Executive Budget extends HCRA for three years to March 31, 2011.

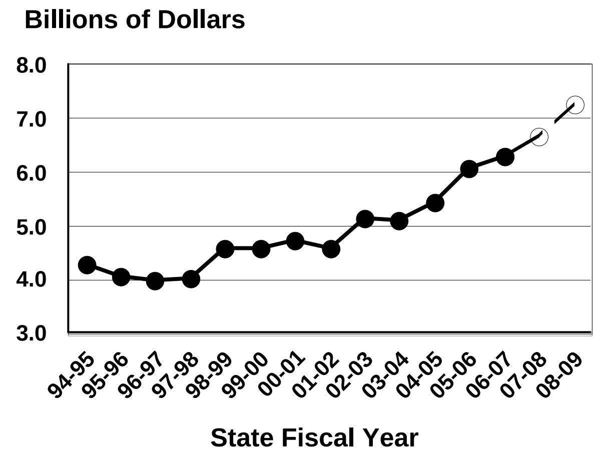
The HCRA Financial Plan includes $834 million from not-for-profit to for-profit health plan conversion proceeds for SFY 2008-09. Of this amount, $550 million is from the sale of WellPoint stock and $284 million is from the initial public offering (IPO) of Emblem (the for profit entity created pursuant to the merger of the Health Insurance Plan of Greater New York (HIP) and Group Health Incorporated (GHI).

Health - Medicaid
Proposed Disbursements - All Funds

(Thousands of Dollars)				
	Estimated	Proposed	Change	
Agency	2007-08	2008-09	Amount	Percent
Medical Assistance	31,233,203	32,500,763	1,267,56	4.1%
Medicaid Administration	820,000	853,000	33,000	4.0%
All Other Health	5,260,342	5,317,988	57,646	1.1%
Totals:	**37,313,545**	**38,671,751**	**1,358,20**	**3.6%**

TRANSPORTATION

All Funds Disbursements (Millions of Dollars)	Estimated SFY 07-08	Projected SFY 08-09
Cash	6,673	7,284
Annual Growth Rate	14.8%	9.2%
5 Year Average Growth (Actual)		29.0%



The Transportation Agencies 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

Additional spending of $30 million or 10.5 percent in SFY 2008-09 for DMV is primarily to support the **Federal Western Hemisphere Travel Initiative (WHTI).** This initiative requires travelers to present secure documentation of citizenship and identity when entering or leaving the United States. DMV is planning to provide optional enhanced driver's licenses and non-driver photo identification cards to satisfy US Department of Homeland Security (DHS) WHTI compliance standards. The Executive Budget proposes an endorsement fee of $20 per enhanced document, in addition to the existing $55 and $15 fees for new and replacement cards. Costs for WHTI are projected to total $15.9 million in SFY 2008-09. DMV also plans an increase of 110 FTEs to accommodate additional WHTI customers.

The Executive also proposes to **raise the Motor Vehicle Law Enforcement fee from $5 to $20**. This fee is collected annually from insurance policy holders for each insured motor vehicle. The Executive's proposal would dedicate $5 of the $15 increase to the State Police, and $10 for a new bridge safety initiative that will be deposited in the Dedicated Highway and Bridge Trust Fund. The increase would raise $194 million in new revenue.

Capital – Overview

A five-year $35.8 billion state transportation plan for highways, bridges and mass transit was approved in 2005, evenly split between the Department of Transportation ($17.9 billion) and the Metropolitan Transportation Authority

($17.9 billion). In addition to providing sufficient resources for transportation improvements, an effort was made to maintain equity between the two capital spending programs. Last year, the DOT highway and bridge program increased by $827 million with the addition of $1.4 billion in federal funds; the balance was used to reduce the amount of state borrowing in the plan. The SFY 2008-09 Executive Budget includes additional funding for the DOT capital plan, bringing the five year program to $19.4 billion.

Pursuant to legislation that was passed last year to establish a commission to study traffic mitigation and congestion pricing in New York City, both DOT and the MTA are supposed to come forward with new five-year capital programs by March 31, 2008. The Executive Budget includes Article VII language that would create a separate MTA fund for any revenues it receives from proposed New York City traffic congestion mitigation fees. The moneys in the account would be expended for uses and purposes outlined by subsequent legislation.

Department of Transportation

The SFY 2008-09 Executive Budget adds $587 million to the DOT Capital Plan, including $287 million for a new State and Local Bridge Preservation Program and $300 million in federal funds for Projects of Statewide Significance. For SFY 2008-09 there is an estimated $119 million shortfall in the Dedicated Highway and Bridge Trust Fund (DHBTF). To cover this deficit and pay for the new bridge program, the Executive proposes to transfer $119 million from the General Fund and generate $97 million in new revenues through a proposed increase in the auto insurance fee.

Decreases to Capital Projects include a two year reduction of $18 million for the Industrial Access Program (eliminating the funding) and a $9.4 million decrease in the CHIPS capital program which provides funding to localities for highway improvement. Under the Executive proposal there would be an increase of 339 full time equivalent positions related to the capital spending plan. Total employees for the Department would actually increase by 322 because of hiring delays and administration efficiencies.

Transit

The SFY 2008-09 Executive Budget includes over $3 billion for transit operating assistance. This reflects an increase of $169 million or six percent over SFY 2007-08 levels. The MTA portion of the total $3 billion in transit operating aid is $2.6 billion, reflecting a $148 million or five percent increase. This amount meets the level anticipated in the MTA's financial plan for 2008, and includes $622 million from the Dedicated Mass Transportation Trust Fund. Non-MTA transit systems would receive $390 million in operating aid, an increase of $21 million above the current year level.

MTA Capital Plan

2005-2009 MTA Capital Plan

(Millions of Dollars)

	Approved
Program Elements	
New York City Transit	11,301
Long Island Rail Road	2,176
Metro-North Railroad	1,383
Core	14,860
Security	495
Interagency	159
Core and Security	15,514
System Expansion	2,475
Total 2005-2009 CPRB Program	**17,989**

In the near future, the MTA is expected to submit amendments that will increase the size of the 2005-2009 Capital Plan to include federal funding for two major system expansion projects, East Side Access and the first phase of the Second Avenue Subway project. East Side Access is a $6.3 billion project that will connect the Long Island Rail Road to Grand Central Terminal on Manhattan's East Side. The first phase of the Second Avenue Subway will result in a new subway line and stations between 96th Street and 63rd Street, where it will connect to existing service; future phases of Second Avenue Subway will continue building a new line towards Lower Manhattan. The additional federal funding for East Side Access and the Second Avenue Subway is expected to total approximately $2 billion.

MTA Fare and Toll Increases

During the summer of 2007, the Metropolitan Transportation Authority released its preliminary budget for 2008 and announced that it would be seeking a 6.5 percent revenue increase in fares and tolls that would take effect in early 2008. The increases would come on top of a 25 percent fare increase in 2003 and a greater than 5 percent increase in 2005. The MTA also proposed that beginning in 2010 fares would be increased every two years. While the MTA was on target to end 2007 with nearly a billion dollar surplus and was estimating that it would end 2008 with a surplus of several hundred million dollars, the Authority maintained that it needed the fare increase in 2008 to avoid overly large fare increases and service cuts in 2009.

In December 2007, the Executive directed the MTA to use $222 million of unexpected additional revenues to reduce the fare increases. As expected, on December 19, 2007, the MTA Board approved agency budgets for 2008 that included fare and toll increases which are expected to produce a 3.85 percent increase in revenues. The new fares and tolls will take effect in March 2008.

Under the approved MTA plan, as of March 2, 2008, the base subway and bus fare will remain at $2; a 1-day

MetroCard Fun Pass will increase from $7 to $7.50; a 7-Day Pass (unlimited ride card) will go from $24 to $25; there will be a new 14-Day Pass priced at $47; the 30-Day Pass will go from $76 to $81, and Express Bus fares will remain unchanged. For pay-per-ride MetroCards, there will be an additional 15 percent added to purchases of $7 or more, versus a 20 percent bonus on purchases of $10 or more under the current fare policy. For the Long Island Rail Road and Metro-North Railroad, as of March 1, 2008, monthly and weekly tickets will increase between 3.76 percent and 4.25 percent, and one-way, round-trip, and intermediate travel tickets will increase by as much as 7.7 percent. New toll rates for MTA Bridges & Tunnels will take effect on March 16, 2008. E-ZPass tolls for cars will go up by as much as 3.8 percent, and cash customers will see increases of 50 cents at major facilities and 25 cents at minor bridges.

Thruway Toll Increase Proposal

In November 2007 the Thruway Authority proposed a toll increase which could be voted on by the Thruway Authority's Board as early as March 2008. The Senate Majority has strongly objected to this proposal and requested that the State Comptroller conduct a complete audit on the New York State Thruway Authority's revenue projections, operations and capital plan. The Comptroller released the findings of the audit January 27th.

The Senate Majority has also put forth a proposal that the Canal Corporation be transferred to a State Agency. This proposal would save the Authority roughly $54 million annually in operating expenses. In addition, the Canal Corporation accounts for approximately 10 percent or $54 million of the Authority's capital spending proposed for 2008. The increased revenues projected from the proposed toll increase would generate an additional $100 million in revenues in 2009 and $133 million in 2010.

The proposed toll increase includes a 5 percent increase for cash and E-ZPass customers in January 2009 and an additional 5 percent increase in January 2010. These toll increases are on top of the 10 percent cash rate increase that took effect this January (approved by the Thruway Authority in 2005). The Authority claims that without this new toll increase the Authority's financial gap would be $29 million in 2009 and would grow to $65 million in 2011. The Authority expects to maintain a balanced budget in 2008. The charts below illustrate the proposed increase in tolls for cash customers traveling between New York City and Buffalo.

Passenger car			
	Dec-07	Jan-08	Jan-10
Buffalo-NYC	$19.90	$21.90	$24.10
NYC-Buffalo	$15.90	$17.50	$19.25
Roundtrip	$35.80	$39.40	$43.35
5-axle truck			
	Dec-07	Jan-08	Jan-10
Buffalo-NYC	$107.35	$118.10	$129.95
NYC-Buffalo	$91.35	$100.50	$110.55
Roundtrip	$198.70	$218.60	$240.50

According to studies contracted by the Authority, traffic growth trends have slowed on the Thruway as gas prices have increased. The Thruway Authority has also proposed an ambitious capital plan with spending rising from roughly $250 million in 2006 to $550 million in 2008 ($2.74 billion multi-year plan).

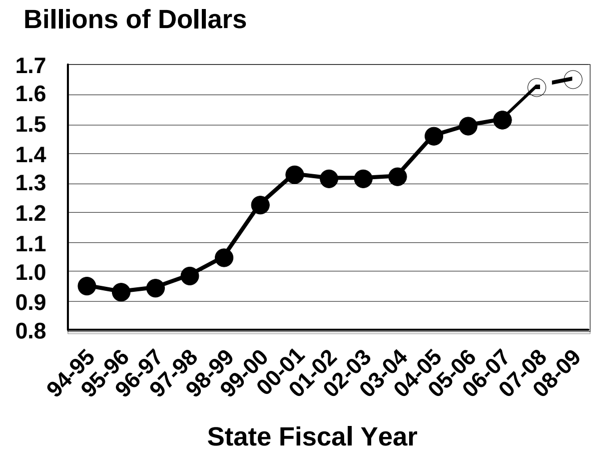
Transportation
Proposed Disbursements - All Funds

(Millions of Dollars)

Agency	Estimated 2007-08	Proposed 2008-09	Change Amount	Change Percent
Department of Transportation	6,291	6,777	486	7.7%
Department of Motor Vehicles	286	316	30	10.5%
Thruway Authority	2	2	0	0.0%
Metropolitan Transportation Authority	94	189	95	101.1%
Totals:	**6,673**	**7,284**	**611**	**9.2%**

ENVIRONMENTAL CONSERVATION, AGRICULTURE AND HOUSING

All Funds Disbursements (Thousands of Dollars)		
	Estimated SFY 07-08	Projected SFY 08-09
Cash	1,626	1,657
Annual Growth Rate	7.9%	2.9%
5 Year Average Growth (Actual)		0.0%



The (SFY) 2008-09 Executive Budget recommends a net increase in cash disbursements of $31.4 million for agencies within the Environmental Conservation, Agriculture and Housing area. Specifically, the Department of Environmental Conservation (DEC) is projected to decrease by $19.6 million; the Department of Agriculture and Markets is projected to increase by $27.6 million; the Office of Parks, Recreation and Historic Preservation (OPRHP) is projected to increase by $63.1 million; and the Division of Housing and Community Renewal (DHCR) is projected to decrease by $30.4 million. In addition, the Adirondack Park Agency (APA) is projected to increase by $189,000; the Environmental Facilities Corporation (EFC) All Funds Budget is projected to decrease by $4.3 million and the Olympic Regional Development Authority (ORDA) is projected to decrease by $5.1 million.

Environment, Parks and Adirondack Park Agency

New Positions

The SFY 2008-09 Executive Budget recommendations includes 36 new positions for the DEC and OPRHP. The Executive Budget recommends four new positions for DEC and 32 new positions for Parks. The Executive recommends no change to APA's workforce of 72 FTE's. Details on the position increases and their purpose are in the "Agency Detail" section of this publication.

Environmental Protection Fund (EPF)

The SFY 2008-09 Executive Budget recommends $250 million for the EPF. The $250 million EPF appropriation includes $29.1 million for Solid Waste and Recycling, $62.1 million for Parks and Recreation, $107.4 million for Open Space and $46.3 million for Farmland

Protection. The EPF proposal includes some new funding initiatives, including, $3 million for Environmental Justice, $2 million for Renewable Energy, $1 million for a Catskill Interpretive Center and $3 million for the Hudson-Fulton-Champlain Quadricentennial.

The Executive also proposes the continuation of many traditional EPF supported programs, including; $66 million for Land Acquisition; $21 million for Municipal Parks; $1.1 million for Long Island Pine Barrens; $3 million for Soil and Water Conservation Districts; $2.3 million for Finger Lakes-Lake Ontario Watershed Protection Alliance (FLLOWPA); $4 million for Oceans & Great Lakes Initiatives; $8 million for Zoos, Botanical Gardens and Aquaria and $900,000 for the South Shore Estuary Reserve.

The "Bottle Bill"-Water and Juice Expansion

The SFY 2008-09 Executive Budget proposal includes legislation to expand the State's Returnable Container Act, also known as the Bottle Bill to include water and juice bottles. This proposal would increase the number of beverage containers subject to the five cents deposit with the unclaimed nickels returned to the State and deposited to the EPF for environmental programs. The proposal is expected to generate $25 million in SFY 2008-09 and $100 million when fully annualized.

Agriculture and Markets

The Executive proposes Article VII legislation that would allow the Department to implement a "risk based" food inspection program for retail food stores that is expected to result in the elimination of 21 food inspector positions in the Food Safety and Inspection program and save $1.2 million. Instead of scheduled annual inspections for all stores, inspection frequency for individual establishments would be based on risk factors such as establishment size and type of food offered for sale.

The Executive proposal includes a $50 million Upstate Agricultural Economic Development Fund, in the Capital Projects budget of the New York State Urban Development Corporation (UDC). This Fund would be administered by Empire State Development Corporation (ESDC) in consultation with the Department. This initiative is similar to the Senate Republican's $50 million AgJobs NY proposal that was passed by the Senate in 2007.

In addition, the Executive introduced the following new initiatives:

- An organic farming program to assist farmers wishing to adopt organic farming practices (+$450,000);

- Support for growers contending with compliance requirements designed to prevent the spread of the Golden Nematode (+$300,000);

- A seed quality improvement program (+$20,000).

The Executive proposes Article VII Legislation to increase penalties for manufacturing, producing, selling or otherwise distributing, or storing prohibited items. The current fees are not considered sufficient to prevent violations. Fees would increase to $1,000 for the first violation and $2,000 for the second violation.

Housing and Community Renewal

The Executive Budget recommends a staffing level for the Division of Housing and Community Renewal (DHCR) of **950 FTEs**, consistent with SFY 2007-08 levels.

The SFY 2008-09 Executive Budget proposal includes a recommendation authorizing the establishment of a $400 million Housing Opportunity Fund to develop three categories of housing; affordable, workforce and supportive.

The Fund includes $100 million for Upstate and $300 million for Downstate. This new program is financed by the release of reserves held by the New York State Mortgage Agency (SONYMA) Mortgage Insurance Fund, and a portion of the proceeds of the proposed sale of excess property at the Jacob K. Javits Convention Center.

The SFY 2008-09 Executive Budget proposal eliminates $13.2 million in Legislative additions for housing initiatives included in SFY 2007-08. These initiatives include: the Home Ownership Economic Stabilization Loan Program for Long Island; Lead Poisoning Prevention Program; Rural Community Revitalization Program; Rural Rental Assistance, and Urban Homeownership Assistance Program.

The SFY 2008-09 Executive Budget decreases the Neighborhood Preservation Program by $3.3 million and the Rural Preservation Program by $1.6 million reflecting the elimination of Legislative additions in SFY 2007-08

The Executive Budget again recommends the Office of the State Comptroller be authorized to intercept any State aid payment scheduled to be made to New York City (NYC) if the DHCR is not paid for the costs of the Rent Regulation Program. Existing law permits the Office of the State Comptroller to intercept only NYC per capita aid if the DHCR is not reimbursed for administering the Rent Regulation Program.

Other Executive proposals include authorizing an additional $4 million of annual low-income housing credits for ten years, and to expand the definition of a voluntary agency to include any entity receiving assistance from the Housing Finance Agency (HFA) or DHCR for integrated housing projects.

Environmental Conservation, Agriculture and Housing

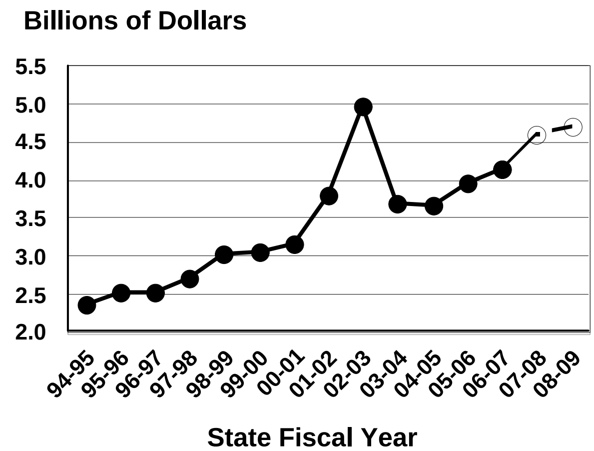
Proposed Disbursements - All Funds

(Thousands of Dollars)

Agency	Estimated 2007-08	Proposed 2008-09	Change Amount	Change Percent
Adirondack Park Agency	5,740	5,929	189	3.3%
Agriculture and Markets	103,857	131,524	27,667	26.6%
Department of Environmental Conservation	913,498	893,889	(19,609)	-2.1%
Environmental Facilities Corporation	16,160	11,815	(4,345)	-26.9%
Housing and Community Renewal	315,865	285,417	(30,448)	-9.6%
Olympic Regional Development Authority	14,126	9,009	(5,117)	-36.2%
Office of Parks, Recreation and Historic Preservation	256,888	319,996	63,108	24.6%
Totals:	**1,626,134**	**1,657,579**	**31,445**	**1.9%**

PUBLIC PROTECTION

All Funds Disbursements (Thousands of Dollars)		
	Estimated SFY 07-08	Projected SFY 08-09
Cash	4,613	4,720
Annual Growth Rate	4.4%	2.3%
5 Year Average Growth (Actual)		3.6%



The SFY 2008-09 Executive Budget recommends an All Funds cash disbursement increase of $107 million or two percent for all public protection agencies. This increase is primarily the result of a $95.5 million increase in funding for the Department of Correctional Services, and a $68.6 million increase in the Office of Homeland Security, offset by a decrease of $101.9 million in the Division of Military and Naval Affairs.

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

<u>Department of Correctional Services:</u>

Prison Population Decline:

The State prison population is projected to total approximately 62,800 by the end of SFY 2008-09, a decline of 9,000 inmates from the high of 71,600 in December, 1999.

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

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

***Prison Closure Recommendation*:**

The SFY 2008-09 Executive Budget includes a proposal for the closure of three minimum security facilities: Camp Pharsalia located in Chenango County; the Camp at Mount McGregor located in Saratoga County; and Camp Gabriels located in Franklin County. In addition, the Executive proposes the closure of the Hudson Correctional Facility a medium security facility located in Columbia County. The Executive's principal rationale for the closures is the declining prison population.

The following table list the DOCS' facility closure plan:

SFY 2008-09 Executive Proposed Correctional Facility Closures

Facility	Total Number of Beds	Total Number of Inmates*	Number of Employees Effected
Camp Pharsalia (Chenango)	258	165	101
Camp at Mt. McGregor (Saratoga)	300	156	66
Camp Gabriel (Franklin)	336	181	138
Hudson – Medium Security (Columbia)	422	414	236

****Source: Department of Correctional Services - Daily Population Capacity Report as of 1/15/08.***
The Hudson Work Release Facility is to remain open.

Under the Executive plan, the DOCS workforce would be reduced to 31,603 from 31,756. This reduction of 153 Full-Time Equivalents (FTEs) is primarily due to the proposed facility closures offset by increases in mental health and re-entry programs.

The following table lists staffing level changes occurring within DOCS:

Department of Correctional Services STY 2008-09 Full-Time Equivalent (FTEs)

Program Description	Changes
Expansion of Mental Health Programs	238
Central Pharmacy	10
Additional Technology Staff for Re-Entry applications	45
Three Additional Re-Entry Units	9
Expand Family Reunion Program	6
Use of Edgecombe for low-level technical parole violators	4
Closure of Hudson Correctional Facility	(236)
Closure of Camp Pharsalia	(101)
Closure of Camp Gabriels	(138)
Closure of the Camp at Mt. McGregor	(66)
Transfer of Corcraft Correction Officers to General Fund	117
Subtotal Change in FTEs	**(112)**
Less Camp Reinvestment	36
Transfer of Corcraft Correction Officers to General Fund	(117)
Expand Cook Chill to County Jails	40
Total Change in FTEs	**(153)**

Multi Public Protection Agencies Role in Expansion of Re-Entry Initiative:

The SFY 2008-09 Executive Budget proposes funding in various State agencies to continue Re-Entry Initiatives which would improve the transition of inmates back into the community along with continued funding for Local Re-Entry Task Forces. The Department of Correctional Services (DOCS), the Division of Parole, the Division of Criminal Justice Services (DCJS) and the Division of

Probation and Correctional Alternatives (DPCA) would all take part under the Re-Entry Initiative. The SFY 2008-09 Executive Budget includes $3.5 million in funding and 93 FTEs for the Re-Entry Initiative. The SFY 2008-09 Executive Budget proposes the following increase to the above mentioned agencies associated with the Re-Entry Initiative:

- **DOCS:** total spending of $2.1 million for 64 FTEs associated with the following: $250,000 for four FTEs associated with the Executive establishment of a Parole Violator Facility at the Edgecombe Correctional Facility located in Manhattan. This facility would hold technical parole violators for up to 30 days; $450,000 for nine FTEs associated with opening three additional transitional services Re-Entry Units; $200,000 for six FTEs from an expansion of the Family Reunion Program; and $1.2 million for 45 FTEs as a result of needed staff for Re-Entry applications.

- **Parole:** total spending of $600,000 for 29 FTEs associated with Re-Entry coordinators at Edgecombe and the new Re-Entry units being developed.

- **DCJS:** funding is increased by $800,000 for three new local Re-Entry Task Forces (Onondaga, Niagara, and Dutchess counties).

- **DPCA:** total spending of $200,000 for a risk/needs assessment instrument.

Division of Criminal Justice Services:

Local Assistance:

The SFY 2008-09 Executive Budget proposes the elimination of all Legislative Adds, totaling $5.6 million (see Table A), with the exception of $2.6 million for the Westchester County Policing Program and $1.4 million for the New York State Defenders Association. The SFY 2008-09 Executive Budget proposes a total decrease of $22.9 million in funding for General Fund, Aid to Localities appropriations. This decrease is primarily the result of the Executive shifting funding from the General Fund to other Special Revenue Aid to Localities Accounts.

Division of State Police:

The Executive Budget recommends redeployment of 200 Troopers and Investigators to Operation IMPACT communities (90 investigators from video lottery centers and 92 Troopers from School Resource Officer assignments).

The Executive Budget proposes Article VII Legislation which would increase the Motor Vehicle Law Enforcement (MVLE) Fee by $15.00 from $5.00 to $20.00. In addition, the proposed legislation authorizes the use of the revenues for a new purpose, and makes the fee and related programs that are scheduled to expire in 2008 permanent. The Executive proposes that $5.00 of the $15.00 increase be dedicated to the Division of State Police, and the remaining $10.00 would support a new bridge safety initiative funded through the Dedicated Highway and Bridge Trust Fund. It is estimated that this fee increase would generate $194 million in new revenues, of which $48.4 million will go to support the Division of State Police. *Further* *details can be found under the Department of Transportation Agency Detail Section of this report.*

Elimination of Capital Defenders Office and Extension of the Temporary State Commission of Investigation:

The Executive proposes the closure of the Capital Defender Office since correction of the death penalty statue by the Legislature has not occurred. On October 2007, in *People v. Taylor*, the Court of Appeals declined to overturn or modify its June 2004 decision. This decision resulted in the last person moved off of New York's death row. There are no remaining death penalty cases pending review by the Court of Appeals.

The SFY 2008-09 Executive Budget proposes to extend the Temporary State Commission of Investigation's authority for an additional seven months from September 1, 2008 to March 31, 2009.

Judicial Pay Raises:

The SFY 2008-09 Judiciary Budget proposal includes $143 million to implement the proposed judicial pay raises retroactive to April 1, 2005. The judiciary also requests a permanent mechanism to regularly adjust judicial salaries.

The Executive is proposing a $119 million increase to implement the judicial pay raise retroactive to April 1, 2006. Another pay raise of 2.5 percent is proposed on April 1, 2008. The Executive bases this raise on the recent increase in salary for federal judges. There is no appropriation authority intended for the second raise. The Executive does not propose any mechanism to deal with future pay raises.

The Executive also proposes legislation to give counties (excluding New York, Kings, Queens, Bronx, and Richmond Counties) $60,000 in state aid per county for the salaries of District Attorneys which are linked to judges and justices of the Unified Court System. Current County Law allows for $10,000 in aid creating an aggregate State Aid allowance of $70,000. The funding for State Aid allowance is contained in the proposed $119 million appropriation.

Division of Military and Naval Affairs (DMNA):

The SFY 2008-09 Executive Budget recommends All Funds appropriations of $127.3 million, a decrease of $393.4 million from the SFY 07-08 budget. This decrease reflects elimination of a nonrecurring Federal Disaster fund appropriation of $300 million for past disasters, $90 million for the state share of the disaster funds, and a $3.4 million reduction in Federal Emergency Management Performance Grants.

The Executive recommends increasing the Divisions staff level from 652 in SFY 2007-2008 to 654 in SFY 2008-2009. New staff will be placed at the State Emergency Management Office (SEMO) to serve as permanent coordinators at Disaster Recovery Centers. The Executive also proposes $5.4 million in new funding to establish the New York Alert account, which would provide State of the Art rapid emergency notification in "real-time". This funding would allow for capacity expansion for additional users.

TABLE A	
Local Assistance Programs for which the Executive Eliminates Funding	
Program	**Amount**
Indigent Parolee	($580,000)
Education and Assistance Corporation	($617,000)
Erie County District Attorney (Comprehensive Assault Abuse Rape Program)	($75,000)
Finger Lakes Law Enforcement Initiatives	($300,000)
Onondaga County Witness Protection Program	($50,000)
Onondaga County Information Technology	($184,000)
Westchester County District Attorney Youth Violence Gang Intervention Program and NarcoPro Tech Program	($200,000)
Mercy College Bachelor of Science Degree in Homeland Security	($200,000)
Catholic Family Center of Rochester	($250,000)
CopsCare Safety Means Abduction Registration and Training SMART program	($300,000)
Electronic Recording of Custodial Interrogations	($100,000)
Manhattan District Attorney Crimes Against Revenue Program	($198,000)
Onieda County District Attorney	($98,000)
New York Association for New Americans (NYANA)	($200,000)
Schenectady Model of Homeland	($548,000)
Dutchess County Sheriff Department Law Enforcement	($100,000)
Nassau County District Attorney Medicaid Fraud Unit	($750,000)
Southern Tier Regional Drug Task Force	($300,500)
New York Guard for training and operational initiatives	($85,000)
For defense services in the county of Schoharie	($86,000)
For defense services in the county of Seneca	($77,000)
For defense services in the county of Wayne	($291,000)
Total Reduction	**($5,589,500)**

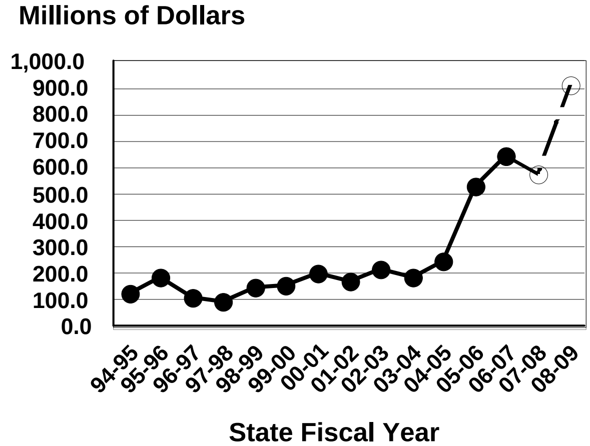
Public Protection
Proposed Disbursements - All Funds

(Thousands of Dollars)

Agency	Estimated 2007-08	Proposed 2008-09	Change Amount	Change Percent
Department of Corrections	2,702,380	2,797,864	95,484	3.5%
Division of Criminal Justice Services	248,655	259,754	11,099	4.5%
Division of Parole	206,318	208,482	2,164	1.0%
Division of State Police	613,303	641,595	28,292	4.6%
Crime Victims' Compensation Board	62,709	62,483	(226)	-0.4%
Capital Defender's Office	1,300	368	(932)	-71.7%
Judicial Commissions	4,785	5,139	354	7.4%
Military and Naval Affairs	462,207	360,263	(101,944)	-22.1%
Division of Probation and Correctional Alternatives	74,649	78,931	4,282	5.7%
Homeland Security Office	230,148	298,782	68,634	29.8%
Misc. Public Protection Agencies	6,558	6,829	271	4.1%
Totals:	**4,613,012**	**4,720,490**	**107,478**	**2.3%**
Judiciary	1,829,753	2,032,399	202,646	11.1%
World Trade Center	50,000	70,000	20,000	40.0%

ECONOMIC DEVELOPMENT AND TAXES

All Funds Disbursements (Thousands of Dollars)		
	Estimated SFY 07-08	Projected SFY 08-09
Cash	578,499	915,494
Annual Growth Rate	118.5%	58.3%
5 Year Average Growth (Actual)		36.2%



Economic Development is the primary mission of one New York State agency and two public authorities: Urban Development Corporation, d.b.a. Empire State Development Corporation (ESDC), the Department of Economic Development (DED), the Foundation for Science, Technology and Innovation (d.b.a. NYSTAR).

The Executive's economic development strategy is presently based on dividing the State broadly into two areas, Upstate and Downstate, and targeting specific initiatives to these areas and regions within these areas. Downstate currently includes Albany, the Hudson Valley, New York City and Long Island, and Upstate includes everything else. In 2007 ESDC established a subsidiary corporation to administer Upstate economic development programs. The DED Commissioner also serves as the Chair of the Upstate subsidiary of ESDC.

For these three agencies the SFY 2008-09 Executive Budget estimates disbursements will total $915.5 million, an increase of $337 million, or 58.3 percent over SFY 2007-08 levels. Most of the increase in projected disbursements is due to spending for capital projects that were previously approved, as well as new capital proposals advanced by the Executive.

When adjusted for capital spending, all other disbursements for SFY 2008-09 will total $190.1 million, a decrease of $7.7 million or 3.9 percent, from SFY 2007-08. The SFY 2008-09 Executive Budget eliminates funding for Legislative initiatives in all three agencies.

Major ongoing projects that will receive capital disbursements in SFY 2008-09 include the following:

- Yankee and Shea Stadiums
- Governors Island
- SFY 2006-07 Legislative and Executive capital projects
- Roosevelt Island

- Harriman Technology Park
- USA Niagara
- Technology facility development
- Restore NY Communities
- Downtown Buffalo projects
- NYSTAR research facilities

Major proposed new capital programs that will be administered by ESDC, or its subsidiaries, include the following programs that are described in greater detail in the UDC Agency Detail section and Issues in Focus Sections. Amounts shown below are for total program funding.

- Upstate Regional Blueprint Fund - $350 million
- Downstate Regional Revitalization Fund - $200 million
- Upstate Agricultural Economic Development Fund -$50 million
- Investment Opportunity Fund - $150 million
- Arts and Cultural Fund - $40 million
- Economic and Community Development Fund - $60 million
- Specific Capital Projects - $150 million

The proposed SFY 2008-09 Executive Budget will directly support 491 full-time economic development staff, an increase of 30 full time positions over last years fill levels for the agencies. Proposed interchange language permits these new staff positions to be allocated between ESDC and DED as needed. Agency program grants and public authority contracts support additional staff in economic development functions.

Empire State Development Corporation

The SFY 2008-09 Executive Budget recommends All Funds appropriations of $981.1 million for ESDC, an increase of $545.7 million from SFY 2007-08. The Executive proposes $900 million in capital expenditures compared with last years $350.4 million. The SFY 2008-09 proposed General Fund appropriation, (all for local assistance), is reduced by $3.8 million, or 4.5 percent, from the SFY 2007-08 level. The Executive's proposal reduces net local assistance spending by $21.8 million by eliminating all SFY 2007-08 legislative additions plus operating funds for Governor's Island, which offsets the addition of $18 million for UDC operations, the (EDF) Empire Development Fund and a new Venture Capital Fund.

In addition to the proposed new capital programs the most significant ***changes*** in the Executives proposal for the ESDC budget include the following:

- $11.5 million increase in funding for the EDF, the State's major tool for providing capital grants to smaller companies. Funding is increased from $40 million to $51.5 million.

- $5 million for a new Venture Capital program to provide seed stage funding to start up firms in target industries.

Department of Economic Development

The SFY 2008-09 Executive Budget recommends $63.3 million in All Funds appropriations for DED, an increase of $8.5 million from SFY 2007-08. This net change is a result of $11.3 million in new or increased spending for three programs plus 15 new staff positions, offset by the elimination of $3.1 million in local assistance spending.

The most significant ***changes*** in the Executives proposal for the DED budget include the following:

- $3.5 million for a new Upstate business marketing program;

- $4 million in additional funds for the "I Love NY" marketing program, bringing the total for this program to $20 million;

- $2.3 million increase in funding for International Trade program, three times the prior year funding level;

- $2.3 million cut to local Empire Zone administration.

NYSTAR

The SFY 2007-08 Executive Budget recommends All Funds appropriations of $52.1 million, a 14.5 percent decrease from SFY 2007-08. Nearly three quarters of this decrease reflects the elimination of $6.5 million in Federal appropriations. As a public authority, NYSTAR no longer requires State appropriation authority to disburse Federal funds. However, NYSTAR will continue to receive and disburse these Federal funds as in prior years to support ongoing programs.

The balance of the General Fund decrease of $2 million is due to reduced support for personal and nonpersonal expenses and the elimination of some local assistance programs.

The most notable ***changes*** in the Executive's NYSTAR budget proposal include the following:

- $4 million in new funding for the Supercomputer Consortium, a collaboration of ten universities, and research organizations;

- $2.1 million cut to Community College's technology training and education curriculum and program development grants;

- $1 million cut which eliminates all funding for the James D. Watson Investigator program;

- $1 million cut which eliminates funding for grants for designated Regional Partnerships to invest in seed-stage companies.

Economic Development Proposed Disbursements - All Funds (Thousands of Dollars)				
	Estimated	Proposed	Change	
Agency	2007-08	2008-09	Amount	Percent
Department of Economic Development	53,968	59,377	5,409	10.0%
Empire State Development Corporation	471,955	811,885	339,930	72.0%
Foundation for Science Technology and Innovation	52,576	44,232	(8,344)	-15.9%
Totals:	**578,499**	**915,494**	**336,995**	**58.3%**

Empire Zones and Taxes

The Executive proposed no statutory changes in the Empire Zones program, but did outline a summary of regulatory changes filed with the Department of State in an effort to improve the strategic focus of the program, increase cost-effectiveness and enhance accountability as follows:

Empire Zones

- Regionally significant projects would have employment implementation thresholds reduced from five years to three;
- Zone cost-benefit analysis ratios would increase from 15:1 to 20:1 and a minimum ratio of 5:1 would be required for projects that are justified through non-quantifiable factor criteria; and
- Restricting eligibility of regionally significant projects in which businesses are redistributing economic activity within the State instead of ensuring net new economic activity within the State.

The SFY 2008-09 Executive Budget also proposes a number of tax increases and revenue changes. The following is a list of those changes:

Personal Income Tax

- The Executive proposes to extend the credit for bioheat used for residential space heating or hot water production for four years. The credit originally enacted in SFY 2006-07 expired on June 30, 2007. Both houses of the legislature passed a bill in 2007 to extend the credit, but it was subsequently vetoed by the Governor. This proposal would save taxpayers approximately $1 million in SFY 2009-10.
- The Executive proposes restructuring the LLC/Partnership filing fee from the current $50 per member fee to a fee based upon the company's New York income. This proposal would increase personal income tax receipts by $35 million in SFY 2008-09.
- The Executive proposes to require nonresidents to report the gain on the sale of an interest in a partnership, LLC, or S-corporation as New York source income if the sale of such interest entails the sale of real property. This proposal would increase revenues by $10 million in SFY 2009-10.
- The Executive proposes to amend the definition of a New York State resident to include those taxpayers who are living in a foreign country for at least 450 days but whose spouses and/or minor children are living in New York for more than 90 days. This proposal would increase revenues by $5 million in SFY 2009-10.
- The Executive proposes to allow the Tax Department to recoup any fees imposed by the federal government or other states for the purpose of "intercepting" tax refunds from these entities to pay outstanding income taxes of New York State taxpayers. This proposal would increase revenues by $1.3 million in SFY 2008-09.
- The Executive proposes to allow the Tax Department to "intercept" STAR rebates in order to pay outstanding taxes. This proposal would increase receipts by $15 million in SFY 2008-09.
- The Executive proposes to delay the increases in the Middle Class STAR rebates for one year. This proposal would decrease

the deposit to the STAR fund by $169 million in SFY 2008-09.

- The Executive proposes to delay the increases in the New York City STAR credit for one year and to eliminate the credit for those taxpayers with incomes over $250,000. This proposal would decrease the deposit in the STAR fund by $60 million in SFY 2008-09.

- The Executive proposes to increase the "floor" adjustment from 5 percent to 10 percent. This allows greater reductions in the exempt amount from year to year based on changing market property values. This will decrease STAR benefits by $110 million in SFY 2008-09.

Corporate Franchise Tax

- The Executive proposes two bills to restrict the Brownfield Cleanup Program redevelopment credits. The first bill essentially places a $10 million cap on redevelopment credits while maintaining the bulk of the existing statutes. The second changes both the cleanup and redevelopment credits, provides great discretion to the Department of Environmental Conservation and the Empire State Development Corporation to determine which projects would get credits, and establishes a myriad of criteria needed to reach the potential $15 million project cap. Neither bill is expected to change State revenues for at least six fiscal years.

- The Executive again proposes to decouple New York State Entire Net Income determination from the Federal Qualifying Production Activities Income (QPAI) deduction. The Internal Revenue Code allows an above the line deduction of seven percent (rising to nine percent in 2010) for manufacturing activities. This bill would eliminate the flow through deduction for New York State and New York City taxpayers. This bill would increase New York State taxes by $56 million a year.

- The Executive proposes to eliminate the $1 million cap on those taxpayers paying under the capital base. This increase would be slightly offset by a reduction in the capital base rate from 0.178 percent to 0.15 percent. This measure would increase taxes by $98 million in SFY 2008-09.

- The Executive proposes to change the fixed dollar minimum based on the level of payroll to a tax based on the level of gross receipts while increasing the maximum tax from $1,500 to $2,500. This measure would increase taxes by $64 million in SFY 2008-09.

- The Executive Budget would authorize an additional $4 million in low-income housing credits for ten years. This would allow the Commissioner of Housing and Community Renewal to allocate a total of $20 million in these credits per year.

- The Executive proposes to extend the credit for taxicabs accessible for individuals with disabilities for two additional years to December 31, 2010. This credit is expected to save taxpayers $3 million a year.

- The Executive proposes to increase the installment payment due in a taxpayer's mandatory first quarterly payment from twenty-five to thirty percent. The imposition of the accelerated payment would result in a $64 million "one-shot" for SFY 2008-09 ($95 million total across all business taxes).

- The Executive proposes to make permanent the anti-abusive tax shelter provisions that were adopted in 2005 and are scheduled to sunset on July 1, 2009. The removal of the sunset will increase State revenues by an estimate $17 million a year beginning in SFY 2009-10.

Corporations and Utility Taxes

- The Executive proposes to increase the installment payment due in a taxpayer's mandatory first quarterly payment from twenty-five to thirty percent. The imposition of the accelerated payment would result in a $5 million "one-shot" for SFY 2008-09 ($95 million total across all business taxes).

- The Executive Budget would eliminate the Section 180 Domestic Corporations Organizational tax and reduce the Sections 181 Foreign Corporations license and maintenance tax. This will reduce receipts by $24 million annually.

- Power for Jobs would be extended for one year until June 30, 2009. This is expected to further reduce General Fund revenues by an estimated $15 million in SFY 2008-09.

- **Empire State Film Production Tax Credit:** The Executive has proposed amending the credit to not only increase the percentage of qualified production costs allowed to be claimed from 10 percent to 15 percent and the amount of productions costs covered by the credit to nearly all costs associated with film production, but also increases the total amount of tax credits annually to $75 million from $60 million over a three year period. The proposal also increases the amount of unused credits that may be refundable from 50 percent to 100 percent per year.

Bank Tax

- The Executive proposes legislation that will require all captive Real Estate Investment Trusts (REITs) and captive Regulated Investment Company (RICs) (In which NYS Banks or other corporations have over 50 percent ownership) to file a combined return with the closest New York corporation that directly or indirectly owns or controls them. This will allow the State to capture out of state REIT and RIC income. It also changes the definition of assets under the $8 billion exemption to include all assets within the United States (current law only counts New York assets).

- The Executive also proposes to require bank taxpayers to use an increased percentage to compute the first installment of their business tax payment and Metropolitan Commuter Transportation (MCTD) surcharge. Banks who had a tax for the preceding year, in excess of $100,000, must remit 30 percent (instead of 25 percent) of its preceding years banking corporation franchise tax liability as its mandatory first installment. ($16 million revenue spin-up for SFY 2008-09).

- Lastly, the Executive proposes legislation that will classify credit card companies doing a specified level of business in the State as taxpayers under Article 32 of the Tax Law. This will increase bank tax receipts by $95 million in SFY 2008-09.

Insurance Tax

- The Executive Budget proposes the reclassification of for-profit health maintenance organizations (HMOs) as taxed on a premiums basis as insurance corporations. Currently, HMOs are taxed as a corporate franchise on a profits-basis. Nonprofit HMOs are exempt from the tax. This bill will result in a net increase of $247 million in insurance tax receipts for SFY 2008-09.

- The Executive also proposes to require Article 33 taxpayers to use an increased percentage to compute the first installment of their business tax payment and Metropolitan Commuter Transportation (MCTD) surcharge. Insurance companies who had a tax liability for the preceding year, in excess of $100,000, must remit 30 percent (instead of 25 percent) of its preceding years insurance franchise tax as its mandatory first installment. The proposal will spin-up insurance tax receipts $10 million into SFY 2008-09.

MTA Surcharge

- The budget proposes a four year extension of the 17 percent temporary tax surcharge imposed on the portion of the State's business taxes (Corporate Franchise, Corporation and Utilities, Bank and Insurance) allocated to the Metropolitan Commuter Transportation District. This tax is scheduled to sunset for taxable years ending on or before December 31, 2009.

Fuel Taxes

- The Executive Budget proposes to merge the motor fuel tax and the sales taxes on fuels into the Petroleum Business Tax (PBT). The PBT would now serve, in effect, as a new, overarching, excise tax. Because the former motor fuel tax and the sales tax on fuels will now be indexed in a manner similar to the PBT, the bill results in an overall estimated increase of $56 million in SFY 2009-10.
- The Executive proposal clarifying language to make clear that the Commissioner of Taxation and Finance has the authority to use certain vehicle identification technologies to enforce the Highway Use Tax. This measure is estimate to capture an additional $15 million a year from non-compliant truck companies by SFY 2009-10.

Sales and Use Taxes

- Require all sales tax vendors in the state to re-register and pay a **new** $50 registration fee which will have to be paid every three years thereafter: generates $12.2 million in SFY 08-09 and $36.9 million in SFY 09-10.
- Require all non-profit tax-exempt organizations to collect sales tax at online stores or auctions as they would if it were a "brick and mortar" store by changing the definition of "shop or store" to include online stores, mail order, rentals or auctions: generates $15 million annually.
- Require businesses that own planes, vessels or motor vehicles which are purchased out of state but are used in state for carrying employees, affiliates, partners or stock holders to be charged a use tax: generates $4 million in SFY 08-09 and $6.3 million in SFY 09-10.
- Repeal the credit card bad debt refund provisions, enacted in 2006, which currently allow lenders issuing credit cards on behalf of New York State vendors to apply for a refund for sales taxes paid on debts that have been deemed uncollectable: generates $9 million annually.
- Redefines "vendor" to include internet retailers that actively encourage web site owners residing in New York to advertise for the internet retailer in return for a commission on sales resulting from the followed link. If New York commissioned sales are more that $10,000 annually the internet retailer is "presumed" to be doing business in New York and will therefore have to charge a sales tax on all sales into the state: generates $73 million annually.
- Require a tax stamp for marijuana and controlled substances acquired or possessed in this state. The bill also creates an array of civil penalties, jeopardy tax assessments and criminal sanctions for holding unstamped product. This stamping scheme is a way for New York State to gain tax revenues/penalties from the illegal enterprise of illicit drug sales and use. The tax stamp provisions do not lessen any current criminal penalties for possessing or selling these substances: generates $17 million annually.

- Repealing the sales tax on motor fuel and diesel and folding the tax rate into the petroleum business tax. This is part of a larger initiative to combine the state motor fuel excise tax, state sales tax and local sales tax into the petroleum business tax (PBT). While initially maintaining the tax rate equal to the combined total of all these taxes and maintaining the current dedicated funds, General Fund and local sales tax distributions, the combined PBT would be indexed each year with changes in the producer price index for petroleum products. Currently the sales tax on gas and the motor fuel excise tax are fixed and do not increase with increasing prices as the PBT does: This will reduce sales tax receipts by $172.7 million in SFY 08-09 and $526 million in SFY 09-10 (transferred into the PBT). The indexing will increase the sales tax by $7.7 million in SFY 08-09.

Voluntary Compliance and Enforcement

- Creates a "permanent amnesty" program through a new Article 36 which would waive penalties, criminal sanctions and offer payment options for those people that report past tax deficiencies under a variety of taxes. The amnesty has conditions of future tax reporting conduct. The new article also has increased penalties for tax preparers that knowingly participate or encourage false or fraudulent returns. As is done with child support enforcement, this provision also requires financial institutions to perform data matches to identify funds of tax debtors for use by Tax and Finance to acquire funds to pay tax debts. Additionally, the Executive proposal would require that any written notice sent to a taxpayer by the Department of Tax and Finance imposing a penalty for fraud would be forced to proceed directly to the Division of Tax Appeals (i.e. removes any other avenues for tax conciliation or mediation) and if found guilty all the pleadings and arguments will be made public. Finally the provisions will change the location of all tax crimes proceedings by the State to Albany County and increases the criminal penalties to reflect the size of the taxes in dispute. These provisions effect several state taxes: fiscal tax impact $50 million in SFY 2008-09.

Alcohol Beverage Tax

- The SFY 2008-09 Executive Budget proposal includes legislation to make permanent the increased penalties and enhanced enforcement tools for more efficient collection of alcohol beverage taxes. These provisions are scheduled to expire on October 31, 2009.
- The Executive also proposes legislation to make the seven day alcohol sales license permanent and remove related reporting requirements that are no longer necessary. The seven day alcohol sales provision is set to expire on May 15, 2008.
- Lastly, the Executive looks to create a new classification for flavored malt beverages and impose the excise tax on this category at the low liquor tax rate. Flavored malt beverages would be taxed at the rate of $2.54 per gallon increased from their current beer rate of 11 cents per gallon. As a result, Alcohol and Beverage Taxes will increase $15 million in SFY 2008-09.

Cigarette and Tobacco Tax

- The Executive proposes legislation that would amend the definition of "cigarette" for both New York State and New York City taxes to include "little cigars" which are currently taxed under the "other tobacco products" rate. This proposal would increase receipts by $3.6 million in 2008-09.
- The Executive also proposes legislation that enhances compliance and enforcement of the tobacco products and cigarette taxes.

This legislation would make it a violation for any person to knowingly sell cigarettes to agents who intend to sell unstamped or unlawfully stamped cigarettes or have violated this provision within the 12 months prior to enactment. The Commissioner may impose a civil penalty of up to $200 for every 200 cigarettes against anyone found to be violating this law. Penalties can also result in the loss of licenses. In addition, applications for licenses will be evaluated for suitability of character, maturity and financial responsibility (similar to the evaluation for liquor licenses). It is unclear at this time whether agents who sell unstamped cigarettes to Native American reservations will violate these provisions under the current lawsuit enjoining the Department from enforcing the Native American "coupon" system for collecting cigarette taxes from New York residents.

Motor Vehicle Fees

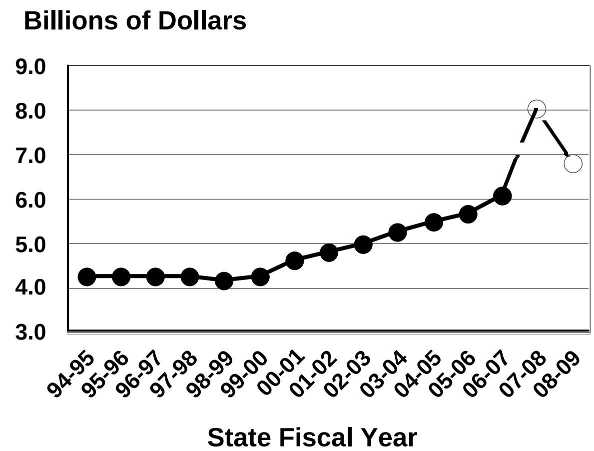
- The Executive proposed a "Western Hemisphere Travel Initiative" (WHTI) program which charges an extra $20 fee to upgrade their regular license to a WHTI-compliant driver's license. A person who opts to purchase a WHTI-compliant driver's license prior to their license renewal date will pay a $35 fee. This proposal will raise revenues by $52.5 million in SFY 2008-09.

Lottery

- The Executive has proposed legislation to permanently extend the Division of Lottery's authority to operate Quick Draw, presently scheduled to sunset on May 31, 2008 and eliminate the restrictions on the Game relating to food sales, hours of operation and the size of the facility, as well as, authorizing a video lottery game at Belmont Park and increasing the current commission rate at Aqueduct to 32 percent of net machine income. Additionally the Executive Budget proposes to "privatize" portions of the Lottery to fund a Higher Education Endowment.

MENTAL HYGIENE

All Funds Disbursements (Thousands of Dollars)		
	Estimated SFY 07-08	Projected SFY 08-09
Cash	8,082,333	6,830,040
Annual Growth Rate	20.0%	-15.9%
5 Year Average Growth (Actual)		5.0%



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

Executive Budget Proposals:

The SFY 2008-09 Executive Budget decreases net spending by $1.2 billion or 15.9 percent over the current year. This decrease in cash spending is largely attributable to the Executive's proposal to move all of the State share of Medicaid spending out of the mental hygiene agencies and into the Department of Health's budget. This proposal will designate the Department of Health as the "single state agency" responsible for the Medicaid program in New York State.

The following are some of the significant proposals recommended by the Executive for SFY 2008-09:

Expanded Work Opportunities for OMRDD and OMH Consumers The Executive provides $2.3 million in new resources to enhance OMRDD's employment programs, including the establishment of 128 self-advocate internships designed to help individuals with developmental disabilities work with various employers to achieve the goal of earning a paycheck. In OMH, $800,000 is provided for the supported employment program associated with the Personalized Recovery Oriented Services (PROS) model.

Cost of Living Adjustment for Non-Profits The Executive Budget provides funding for the last year of the current three-year Cost of Living Adjustment (COLA) for employees. The $49 million in new resources are intended to enable OMH, OMRDD and OASAS non-profit programs to recruit and retain qualified staff. This

Budget also extends the COLA for another three years through SFY 2011-12.

OMH and OASAS Treatment Beds – This Executive Budget provides approximately $170 million in new funding to strengthen residential care in OMH and OASAS. This initiative will support a total of 2,000 new OMH beds and 245 new OASAS beds.

Implementing Statutory Mandates - The SFY 2008-09 Executive Budget recommendation includes resources for OMH to carry out requirements of recently passed legislation, including $1.1 million to continue the implementation of Jonathan's Law and $520,000 for workforce violence prevention efforts.

Rationalize Reimbursement - Under the Executive's proposal, OMRDD, OMH and OASAS will adjust current reimbursement strategies to promote more cost-effective service delivery in both State-operated and privately-operated programs. These efforts will produce $40 million in savings when fully annualized.

Downsizing and Redefining Institutional Capacity – As the first step in a multi-year plan to downsize and potentially close developmental centers, OMRDD has initiated the transition of individuals residing in the Western NY Developmental Center to community living. OMRDD will launch a four-year plan to place more than 500 current developmental center residents into community care settings. In addition, the Executive proposal includes new funding of $4.2 million to develop residential opportunities in the community for people living in other institutional settings.

Improving Access to Housing - The Executive Budget provides additional resources in support of community housing for adults and children with mental illness. The Executive also advances Article VII language to allow for the development of housing that is more integrated into community settings by providing flexibility for mental health agencies to provide financing for mental health housing.

Outpatient Care **–** The Executive proposes to strengthen outpatient programs and non-residental services by eliminating unnecessary usage of hospital emergency rooms. The Executive provides $5 million for OMH-licensed Article 31 Clinics to strengthen their service delivery infrastructure.

Support for Chemically Dependent Persons **–** The Executive provides funding of $500,000 to launch a three-year initiative to establish 21 community-based recovery centers to ease the integration of recovering citizens back into the community.

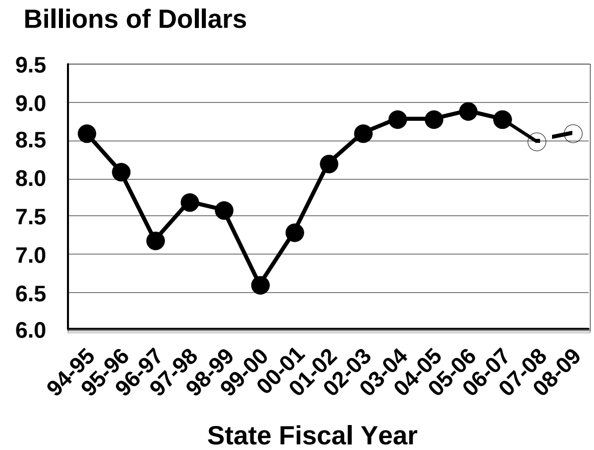
Mental Hygiene
Proposed Disbursements - All Funds

(Thousands of Dollars)

Agency	Estimated 2007-08	Proposed 2008-09	Change	Percent
Office of Mental Health	3,021,671	2,644,468	(377,203)	-12.5%
Office of Mental Retardation	4,424,095	3,515,663	(908,432)	-20.5%
Office of Alcoholism and Substance Abuse	617,354	649,878	32,524	5.3%
Commission of Quality Care	15,592	16,414	822	5.3%
Developmental Disabilities Planning Council	3,621	3,617	(4)	-0.1%
Totals:	8,082,333	6,830,040	**(1,252,293)**	**-15.5%**

HUMAN SERVICES

All Funds Disbursements (Thousands of Dollars)		
	Estimated SFY 07-08	Projected SFY 08-09
Cash	8,513,743	8,600,147
Annual Growth Rate	5.50%	1.00%
5 Year Average Growth (Actual)		1.4%



The SFY 2008-09 Executive Budget proposes $8.6 billion in spending for the nine agencies that are included in the Human Services agencies issue area, reflecting a net increase of $86.4 million, or one percent over the current year.

Cost Shifts to Local Governments:

The increase, however, would be almost double that amount if the Executive had not proposed to shift almost $84 million in detention and public assistance costs from the State to local governments.

In the Office of Children and Family Services (OCFS) budget, the Executive proposes to shift 100 percent of the cost of operating local detention facilities to the counties and New York City, for an increased cost to localities (and savings to the State) of $35.4 million in SFY 2008-09, growing to $59.2 million in SFY 2009-10. Currently, the State provides 50 percent reimbursement to localities for detention costs. While, the Executive proposes to provide $860,000 in additional funding for community-based alternatives to detention, it seems unlikely that such a small investment will enable local governments to offset such a large loss.

In the Office of Temporary and Disability Assistance (OTDA), the Executive proposes to shift $40.5 million in costs to local governments by increasing the local share of public assistance benefits by two percent. The Executive also proposes to redirect $7.5 million in local savings, generated by moving two parent families from TANF support to safety net support, to the State to offset State public assistance costs.

Facility Closures:

Based on underutilization of several non-secure and limited secure youth residential facilities, the SFY 2008-09 Executive Budget proposes to eliminate 50 beds, for a 50 percent reduction, at the Lansing Residential Center in Tompkins County, and to close seven facilities, including:

- Auburn Residential (Cayuga County)
- Adirondack Wilderness Program (Clinton County)
- Brace Residential (Delaware County)
- Cass Residential (Albany County)
- Gloversville Group Home (Fulton County)
- Great Valley Residential (Cattaraugus County)
- Pyramid Reception Center (Bronx County)

Savings from the proposed closures and downsizings would total $3.4 million in SFY 2008-09, from the elimination of 254 positions, 164 positions (65 percent) of which would be Upstate. Savings would grow to $16.3 million in SFY 2009-10, reflecting the full annual cost of the reductions. The closures will remove 241 beds from the juvenile justice system. The Cass facility will be closing in May 2008, and will be converted into a training center for the Office of Parks, Recreation and Historic Preservation (OPRHP). The remaining closures and downsizing would take place in January 2009. Aside from the Cass facility, no alternative use plans are proposed for any of the other facilities. In the absences of alternative plans, the closures negatively effect the economies of the upstate host communities by over $20 million.

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

The SFY 2008-09 Executive Budget projects a public assistance caseload of 506,283, reflecting a slight decrease from their current year estimate of 507,477. The caseload is down from 565,814 in SFY 2006-07 and from a one time high of 1.7 million in 1994.

The SFY 2008-09 Executive Budget proposes $550.4 million in TANF spending on required benefits for eligible families, $718.4 million for the Earned Income Tax Credit (EITC), reflecting an increase of $115.4 million over the current year level, $1.01 billion for the Flexible Fund for Family Services (FFFS), for a proposed increase of $356.3 million over the current year, and $91.8 million on various support programs, reflecting a decrease of $490.2 million, due primarily to the Executive eliminating specific allocations for child care subsidies.

TANF surplus spending is proposed at $1.82 billion, a decrease of $18.5 million from the SFY 2007-08 spending level.

Aging:

The SFY 2008-09 Executive Budget proposes $13.8 million in additional funding for initiatives that are designed to reduce overall long term care costs by providing targeted home and community based services. These initiatives include $950,000 for up to seven Caregiver Centers for Excellence, $2.5 million for more intensive services to frail elderly that have a high risk of becoming institutionalized and $1 million for an Adult Day Services demonstration project to help seniors age in place and avoid having to spend down to Medicaid.

The Executive's proposed increase also includes $4.8 million for a Cost of Living Adjustment (COLA) for Aging programs, and a $4 million increase for supplemental nutrition assistance for the elderly.

Human Services
Proposed Disbursements - All Funds

(Thousands of Dollars)

Agency	Estimated 2007-08	Proposed 2008-09	Change Amount	Change Percent
Children and Family Services	2,910,937	3,175,967	265,030	9.1%
Temporary and Disability Assist.	4,664,552	4,481,508	(183,044)	-3.9%
Welfare Inspector General	1,181	1,243	62	5.2%
Department of Labor	511,893	511,053	(840)	-0.2%
Prevention of Domestic Violence	2,556	2,563	7	0.3%
Workers' Compensation Board	162,246	152,828	(9,418)	-5.8%
Office for the Aging	229,194	240,097	10,903	4.8%
Division of Veterans' Affairs	15,368	17,820	2,452	16.0%
Division of Human Rights	15,816	17,068	1,252	7.9%
Totals:	**8,513,743**	**8,600,147**	**86,404**	**1.0%**

GENERAL GOVERNMENT AND LOCAL GOVERNMENT ASSISTANCE

All Funds Disbursements
(Thousands of Dollars)

	Estimated SFY 07-08	Projected SFY 08-09
Cash	8,351,297	8,862,281
Annual Growth Rate	2%	6.1%
5 Year Average Growth (Actual)		n/a

General Government includes 24 separate agencies providing a diverse array of services to the people of New York State, in addition to local government assistance. The SFY 2008-09 Executive Budget recommends All Funds cash disbursements of $8.8 billion for general government agencies and local assistance, an increase of $510.9 million billion or 6.1 percent from SFY 2007-08 levels. The most significant increases in spending are reflected in local assistance and the following four agencies: Division of the Budget, Consumer Protection Board, State Board of Elections, and Office for Technology.

Local Government Assistance

Consistent with present law requirements, the Executive Budget proposes a $50 million increase over SFY 2007-08 levels for the Aid and Incentives to Municipalities (AIM) program. Municipalities that receive less per capita aid than comparable peer municipalities would be eligible to receive additional funds by an equity adjustment formula. Also, additional funds of nearly $6 million would be provided to 26 cities, towns and villages.

The Executive Budget recommends a phased-in scheduled increase in AIM program funding for New York City in the amount of $164 million. However, since present law funding for AIM would total $328 million in SFY 2008-09, the Executive proposal actually reflects a 50 percent, or $164 million reduction.

The Executive Budget proposes a new financial incentives for municipalities program in the amount of $25 million to implement recommendations of the Commission on Local Government Efficiency and Competitiveness, including local sharing of procurements and delivery of services.

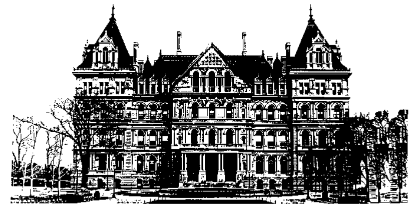
Division of the Budget

Over the past two State Fiscal Years, the Legislature has provided the Division of the Budget with $100 million for the design and implementation of an integrated *Statewide Financial System* (SFS) which will create accounting uniformity and transparency among all State agencies. The Executive Budget recommends an additional $40 million in SFY 2008-09 for the continued advancement of the SFS project, including hardware procurement and employment of fifteen additional staff. As a result of these SFS initiatives, Division spending is anticipated to increase by $17.6 million in SFY 2008-09.

General Government and Local Government Assistance
Proposed Disbursements - All Funds

(Thousands of Dollars)

Agency	Estimated 2007-08	Proposed 2008-09	Change Amount	Change Percent
Alcoholic Beverage Control	13,012	13,719	707	5.4%
Audit and Control	251,534	258,612	7,078	2.8%
Banking	61,413	62,337	924	1.5%
Division of the Budget	73,362	91,000	17,638	24.0%
Civil Service	23,653	23,922	269	1.1%
Consumer Protection Board	3,055	3,703	648	21.2%
State Board of Elections	29,119	68,917	39,798	136.7%
Office of Employee Relations	4,000	4,134	134	3.4%
Executive Chamber	20,320	20,930	610	3.0%
Office of the Lt. Governor	1,378	1,420	42	3.0%
Office of General Services	229,724	233,381	3,657	1.6%
General State Charges	5,368,881	5,555,509	186,628	3.5%
Office of the Inspector General	6,908	7,153	245	3.5%
Insurance Department	250,421	262,999	12,578	5.0%
Department of Law	205,763	229,081	23,318	11.3%
Commission on Public Integrity	0	5,432	5,432	DIV0
Local Government Assistance	938,461	1,136,649	198,188	21.1%
Lottery	182,527	180,147	(2,380)	-1.3%
Public Empl. Relations Board	4,077	4,207	130	3.2%
Racing and Wagering Board	18,754	18,178	(576)	-3.1%
Real Property Services	51,651	52,655	1,004	1.9%
Office of Regulatory Reform	3,781	3,480	(301)	-8.0%
Department of State	210,303	159,916	(50,387)	-24.0%
Taxation and Finance	367,658	367,454	(204)	-0.1%
Division of Tax Appeals	3,233	3,273	40	1.2%
Office for Technology	28,309	94,073	65,764	232.3%
Totals:	**8,351,297**	**8,862,281**	**510,984**	**6.1%**



SECTION TWO

SENATE ISSUES IN FOCUS

PROPERTY TAX RELIEF

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

- The **Basic STAR** exemption is available for owner-occupied, primary residences regardless of the owners' ages or incomes. Basic STAR works by exempting the first $30,000 of the full value of a home from school taxes with upward adjustments for high property value areas.
- The **Enhanced STAR** exemption is available for the primary residences of senior citizens (age 65 and older) with yearly household incomes not exceeding $70,650. For qualifying senior citizens, the Enhanced STAR program works by exempting the first $56,800 of the full value of their home from school property taxes with upward adjustments for high property value areas.

STAR as enacted in 1997 began as a program intended to provide homeowners with much needed aid to help reduce the burden of school property taxes. The regular STAR program has grown from $582 million in State Fiscal Year (SFY) 1998-99 to $3.7 billion (estimated) in SFY 2007-08.

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

In SFY 2007-08 the Executive proposed to eliminate the rebate checks and instead provide for a wealth adjusted enhancement to the STAR exemption program. Under the Executive's plan the existing Rebate plan would have been eliminated for one that was income based and reflected regional cost differences. The Senate Republicans were successful in the SFY 2007-08 Enacted Budget in its efforts to continue a plan that provides direct financial relief to the school property taxpayer via a Rebate check. In addition, the value of the Rebate checks were increased for SFY 2007-08 to over $1 billion from the SFY 2006-07 level of $675 million. The rebate program is scheduled to increase to $1.3 billion in 2008-09 and to $1.5 billion in 2009-10.

Unfortunately the SFY 2007-08 Budget did not provide an enhancement to Senior Rebate checks due to the Executive's removal of $200 million from the SFY 2007-08 property tax package. The Senate Majority's continued efforts throughout 2007 to get the Assembly and the Executive to double the Rebate checks of enhanced STAR recipients in order to provide $200 million in additional relief for seniors (S.6417 Bruno) However, no action from the Assembly kept overtaxed seniors from receiving the much needed additional tax relief.

In total, through Rebate checks and regular STAR the State is providing over $4.8 billion in school property tax relief for SFY 2007-08.

II. Executive Proposal for SFY 2008-09: For SFY 2008-09 the Executive includes several proposals related to the STAR program. The Executive budget proposal provides $4.97 billion for school property tax relief including the regular STAR program the Middle Class STAR rebate program, the NYC personal income tax rate reduction and refundable tax credit. This represents an $88 million increase over SFY 2007-08. However this is a $354 million reduction from what present law required. The significant changes to the program include the following:

- Rebate Phase-In Change: The Executive delays the scheduled 2008-09 increases in the Basic Middle Class STAR Rebate Program by one year, pushing the program fully phased in date to 2010-11. The Executive has also proposed a corresponding reduction in the NYC Personal Income Tax (PIT) portion of STAR. In total this results in $209 million in reduced property tax relief for SFY 2008-09;
- NYC PIT: The Executive proposes to eliminate this credit for those NYC residents earning over $250,000. This increases State receipts by $20 million;
- Rebate Offsets: The Executive proposes to authorize the State Tax Department to offset tax debts, child support, and other debts against STAR rebates. Other debts can include delinquent taxes, past-due child support, and other State overpayments. This creates $15 million in savings for SFY 2008-09; and
- Regular STAR Floor Limit: Current law limits annual STAR exemption amounts from decreasing by more than five percent. The Executive proposes to increase this to a limit of ten percent reducing property tax relief by $110 million.

Overall, while the STAR program is proposed to increase by $88 million the Executive has reduced property tax relief by $354 million.

III. 2008-09 Senate Plan: A report commissioned by the Senate in 2005, conducted by Global Insights, found that local taxes per household in New York ($6,377) are the highest in the country and more than two times the national median ($2,952). Also, the Tax Foundation recently issued a report which studied property tax burdens in the 775 largest counties in the country. All six of the New York downstate suburban counties were in the top 25 highest property taxed counties in the country.

The Rebate program has been very successful, however the size of checks needs to be increased to provide additional relief from the high property taxes that homeowners face. The Senate Majority's record of winning meaningful property tax relief for New Yorkers, initially through creation of the STAR school property tax relief program and then through its successful efforts to initiate a property tax rebate system which distributes checks directly to taxpayers, has helped to mitigate the impact of increasing property taxes, but more needs to be done.

Under this tax relief plan, the average eligible, non-senior homeowner would receive a 2008 STAR Rebate check double the size of their 2007 STAR Rebate check, while their 2009 STAR Rebate check would triple in size. Homeowners who did not receive a check last year would receive a rebate check double the size of the average check of the top qualifying income bracket under the current system.

Meanwhile, senior homeowners would receive a 2008 STAR rebate check triple the size of their 2007 STAR rebate check, and their 2009 STAR rebate check would be roughly four times the current amount.

Under the Senate Majority's proposal, the total value of the STAR property tax rebates would grow from an estimated $1 billion in 2007 to $2.3 billion and $3.6 billion in 2008 and 2009, respectively. (The $3.6 billion is approximately $2.1 billion above the projected level of relief that would occur under existing law in 2009-10). The New York City Personal Income Tax Credit component of STAR would also be increased to save New York City taxpayers $650 million by 2009.

When the Senate's enhanced STAR Rebate check proposal is combined with the State's existing STAR tax exemption program, New York State will provide a total of $6.6 billion in total tax relief in the upcoming fiscal year, and $8.4 billion in tax relief in the 2009-10 fiscal year.

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

- Upstate -

2008 BASIC STAR REBATES

County	Up to $90,000 Income		$90,001-$150,000 Income		$150,001 + Income	
	Governor's Rebate Check	Senate Majority Rebate Check	Governor's Rebate Check	Senate Majority Rebate Check	Governor's Rebate Check *	Senate Majority Rebate Check
Albany	373	746	279	558	186	372
Allegany	379	758	284	568	190	380
Broome	466	932	350	700	233	466
Cattaraugus	318	636	239	478	159	318
Cayuga	376	752	282	564	188	376
Chautauqua	368	736	276	552	184	368
Chemung	388	776	291	582	194	388
Chenango	383	766	287	574	191	382
Clinton	371	742	279	558	186	372
Columbia	323	646	242	484	161	322
Cortland	370	740	278	556	185	370
Delaware	304	608	228	456	152	304
Erie	316	632	237	474	158	316
Essex	260	520	195	390	130	260
Franklin	302	604	226	452	151	302
Fulton	346	692	259	518	173	346
Genesee	450	900	338	676	225	450
Greene	345	690	259	518	173	346
Hamilton	152	304	114	228	76	152
Herkimer	363	726	272	544	182	364
Jefferson	242	484	182	364	121	242
Lewis	271	542	203	406	135	270
Livingston	382	764	287	574	191	382
Madison	395	790	296	592	197	394
Monroe	403	806	302	604	202	404
Montgomery	436	872	327	654	218	436
Niagara	404	808	303	606	202	404
Oneida	424	848	318	636	212	424
Onondaga	418	836	314	628	209	418
Ontario	382	764	286	572	191	382
Orleans	448	896	336	672	224	448
Oswego	425	850	319	638	213	426

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

- Upstate -

2008 BASIC STAR REBATES

County	Up to $90,000 Income		$90,001-$150,000 Income		$150,001 + Income	
	Governor's Rebate Check	Senate Majority Rebate Check	Governor's Rebate Check	Senate Majority Rebate Check	Governor's Rebate Check *	Senate Majority Rebate Check
Otsego	353	706	265	530	177	354
Rensselaer	416	832	312	624	208	416
St. Lawrence	365	730	274	548	182	364
Saratoga	384	768	288	576	192	384
Schenectady	442	884	332	664	221	442
Schoharie	395	790	296	592	197	394
Schuyler	337	674	252	504	168	336
Seneca	426	852	320	640	213	426
Steuben	376	752	282	564	188	376
Sullivan	418	836	314	628	209	418
Tioga	385	770	289	578	193	386
Tompkins	377	754	283	566	188	376
Ulster	411	822	308	616	206	412
Warren	322	644	241	482	161	322
Washington	407	814	305	610	203	406
Wayne	423	846	317	634	212	424
Wyoming	338	676	254	508	169	338
Yates	266	532	200	400	133	266

* The Executive proposal eliminates benefits for households with incomes over $250,000

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

- Downstate -

2008 BASIC STAR REBATES

County	Up to $120,000 Income		$120,001-$175,000 Income		$175,001 + Income	
	Governor's Rebate Check	Senate Majority Rebate Check	Governor's Rebate Check	Senate Majority Rebate Check	Governor's Rebate Check *	Senate Majority Rebate Check
Dutchess	424	848	318	636	212	424
Nassau	587	1174	441	882	294	588
Orange	479	958	359	718	239	478
Putnam	676	1352	507	1014	338	676
Rockland	712	1424	534	1068	356	712
Suffolk	572	1144	429	858	286	572
Westchester	1,094	2188	820	1640	547	1094
New York City	127	254	95	190	64	128

* The Executive proposal eliminates benefits for households with incomes over $250,000

Average Rebate Savings Amounts by County - Downstate -

2008 ENHANCED STAR REBATES

County	Governor's Rebate Check	Senate Majority Rebate Check
Dutchess	462	990
Nassau	725	1,554
Orange	542	1,161
Putnam	732	1,569
Rockland	792	1,698
Suffolk	612	1,311
Westchester	1,162	2,490
New York City	134	288

Property Tax Rebate Comparison of Executive and Senate Average Senior Rebate Savings Amounts by County
- Upstate -

County	Governor's Rebate Check	Senate Majority Rebate Check		Governor's Rebate Check	Senate Majority Rebate Check
Albany	410	879	**Monroe**	454	972
Allegany	434	930	**Niagara**	426	912
Broome	512	1,098	**Oneida**	463	993
Cattaraugus	371	795	**Onondaga**	459	984
Cayuga	423	906	**Ontario**	423	906
Chautauqua	413	885	**Orleans**	480	1,029
Chemung	426	912	**Oswego**	505	1,083
Chenango	427	915	**Otsego**	392	840
Clinton	414	888	**Rensselaer**	452	969
Columbia	347	744	**St. Lawrence**	413	885
Cortland	413	885	**Saratoga**	410	879
Delaware	333	714	**Schenectady**	482	1,032
Erie	349	747	**Schoharie**	438	939
Essex	312	669	**Schuyler**	385	825
Franklin	356	762	**Seneca**	470	1,008
Fulton	385	825	**Steuben**	414	888
Genesee	491	1,053	**Sullivan**	456	978
Greene	364	780	**Tioga**	456	978
Hamilton	179	384	**Tompkins**	412	882
Herkimer	409	876	**Ulster**	437	936
Jefferson	280	600	**Warren**	351	753
Lewis	315	675	**Washington**	447	957
Livingston	426	912	**Wayne**	459	984
Madison	437	936	**Wyoming**	370	792
			Yates	302	648

UPSTATE NOW

A COMPREHENSIVE JOB GROWTH AND ECONOMIC DEVELOPMENT PLAN FOR UPSTATE AND NEW YORK

The Senate Majority is committed to do everything possible to revitalize the Upstate economy, give businesses the opportunity to succeed, and create new economic opportunities for New Yorkers. That is why Senate has developed and advanced the The Upstate *Now* agenda, a comprehensive 10-point job creation and economic growth plan that will transform and revitalize the Upstate economy, create thousands of new jobs, and generate billions of dollars in new investments in communities all across our State.

The New York State Senate on a bipartisan vote passed Upstate Now (S.5953-B) on January 23, 2008. The Senate also passed this during the 2007 Legislative Session.

This comprehensive job creation and economic growth plan will transform and revitalize the upstate economy, generate billions of dollars in new investment, and create thousands of new jobs for New Yorkers.

The 10-point plan invests a total of more than $3.7 billion into economic development initiatives over the next three years, including new tax relief and incentives, new and existing capital investments and private sector matching funds. More than $2 billion would be invested in the first year of the program.

The Senate's comprehensive plan would: reduce taxes, energy and health care costs for employers; provide upstate with a 21st century economic infrastructure; strengthen small businesses, manufacturing, agriculture, tourism and other key industries throughout the State; make Upstate an international leader in new and emerging technologies; revitalize downtowns and local communities throughout the region; support clean, renewable energy initiatives; strengthen our workforce; and enact sweeping reforms to make the upstate region more business-friendly and economically competitive.

The Senate's Upstate Now plan includes more than $2.6 billion in tax cuts and incentives, when fully implemented in three years; as well as $300 million in existing venture capital funds that will generate an additional $300 million in private sector matching funds; $300 million in capital monies to fund economic development investments; $155 million in new capital investment funds; and $58 million in new economic development program investments.

From tax cuts, to the JOBS NOW and Pipeline for Jobs initiatives, to the Jobs 2000 Plan (J2K), Gen*NY*sis, and Centers of Excellence programs, the Senate Majority has always been the principal driving force in Albany behind efforts to promote economic growth and job creation for New Yorkers. The Upstate Now package would build on this legacy with a broad, comprehensive and integrated 10-point plan:

The Upstate *Now* strategic plan includes an extensive array of carefully crafted, fully integrated proposals that fall under the following 10 key categories:

1. Reducing Taxes for Small Businesses, Manufacturers and Key Industries

Taxes play a key role in helping companies decide where to locate, invest and create new jobs. From eliminating income and corporate franchise taxes on Upstate's manufacturers, to further reducing corporate tax rates, to enacting much needed property tax relief for small businesses, the Senate's plan will help fuel economic growth in Upstate for years to come.

2. Building and Investing in a 21st Century Infrastructure for the Upstate Economy

Upstate *Now* calls for hundreds of millions of dollars in targeted investments in Upstate's infrastructure. Projects include establishing high-speed trains in key Upstate corridors, expanding our roads, water lines and technology infrastructure to support job growth.

3. Making Upstate an International Powerhouse in New and Emerging Technologies

The Senate is advancing new incentives to encourage emerging technology companies that already do research and development in New York, to take that next step and actually manufacture their products in the Empire State. The plan will also seek to more fully integrate the groundbreaking research taking place at New York's outstanding colleges and universities, with the local and regional private-sector economies across Upstate. The plan makes extensive investments to support expansion and assist in the retention of agribusiness and agriculturally related jobs in the State. Building upon the success of the J2K Program, $100 million in critical capital funding will be distributed through Regional Partnerships which were enacted in 2006.

4. Reducing Energy Costs for Employers and Promote Energy Independence

New York's small business leaders have consistently cited high energy costs as a major obstacle to future growth, profitability and new job creation. To address this problem, Upstate *Now* advances a tax credit program that would help eligible small businesses afford the rising cost of energy. In addition the Upstate plan will ensure that New York will have renewable energy for the future. Encouraging renewable energy products to sustain future economic growth without being held hostage to a petroleum based economy.

5. Reducing Health Care Costs for Small Businesses to Insure More Families

The skyrocketing cost of health insurance forces many businesses to face the difficult decision of shifting more of the cost of coverage to employees or dropping coverage entirely. The Senate's plan would significantly reduce the number of uninsured New Yorkers through a combination of tax advantages, government initiatives and commercial insurance market reforms that would bring health insurance within the means of all small businesses and every New Yorker.

6. Creating Thriving Main Streets

While much of the Downstate metropolitan region continues to boom, far too many of our Upstate communities continue to face real challenges. The Upstate *Now* strategic plan addresses this trend by making new investments in programs to revitalize our communities, eliminate blight, rehabilitate old buildings and clean up environmental hazards that inhibit new development.

7. Winning the Global Competition for Manufacturing Plants

Over the past several years major manufacturing facilities have been located in other parts of the United States, New York must succeed in attracting large new manufacturing investments. The Senate Majority will aggressively pursue initiatives from strategic investments, and tax incentive packages, to ensure the Empire State is fully prepared to compete and win major manufacturing investments.

8. Preparing the Finest Workforce in the Nation

The Upstate *Now* agenda will seek to realign the State's workforce development programs to ensure that they are more effective in meeting dual needs of workers and employers. And while reforming and improving our workforce training programs, the Upstate Now initiative will also provide new incentives to encourage young New Yorkers to live, learn and work in our State.

9. Establish the Upstate *Now* One-Stop Business Start-Up and Support Program

Our nation's economic strength was built by industrious Americans who had the courage, foresight and determination to launch their own business. Upstate *Now* includes a wide array of new initiatives to help make doing business in New York easier, and to promote entrepreneurship, encourage investment and provide support for starting and growing a business. Upstate *Now* will provide an online One Stop location for information, business development, and permitting as well as a new "Business Hotline" staffed 7 days per week.

10. Marketing Upstate's Outstanding Recreational, Cultural and Tourism Opportunities

Upstate Now will enhance local coordination of marketing New York's regionally significant destinations and spotlight the State's historic sites and agricultural tourist attractions. Upstate Now will create a comprehensive statewide system of accessible and safe multiuse thematic trails for every age.

The UPSTATE NOW Economic Development Plan (Specific Descriptions)

1. Reducing Taxes for Small Businesses, Manufacturers and Key Industries: Taxes play a key role in helping companies decide where to locate, invest and create new jobs. From eliminating income and corporate franchise taxes on upstate's manufacturers, to further reducing corporate tax rates, to enacting much needed property tax relief for small businesses, the Senate's plan will help fuel economic growth in upstate for years to come. The Senate will also pursue efforts to simplify New York's complex tax code.

Specific elements of the plan's first component include:

Eliminating Business Taxes on Manufacturing in New York State (This would provide $60 million in tax relief, growing to nearly $500 million in relief when fully implemented).

Providing property tax rebates for small businesses that employ fewer than 20 employees. (Under the Senate's plan, a new Small Business STAR program would be established. It would deliver direct rebate checks, averaging $700, to small businesses that pay school taxes and employ less than 20 people. This measure would provide $150 million in property tax relief).

Reducing the Corporate Franchise Tax Rate from 7.1 percent to 6.85 percent (This would provide $35 million in tax relief, growing to $94 million when fully implemented).

Reduce other taxes on small businesses, aviation and marine fuel.

Encouraging the Federal Government to stop taxing New York's economic development incentives (Currently, federal law requires New York employers to pay federal taxes on the capital and equipment investments that the State makes to lure major employers like Advanced Micro Devices (AMD) and IBM. This places New York at a tremendous disadvantage with foreign competitors when it comes to attracting major new investments in manufacturing and/or technology facilities).

Capitalizing on unused investment tax credits to provide investment in upstate.

2. Building and Investing in a 21st Century Infrastructure for the Upstate Economy: Upstate Now calls for hundreds of millions of dollars in targeted investments in upstate's infrastructure. Projects include establishing high-speed trains in key upstate corridors, expanding our roads, water lines and technology infrastructure to support job growth. The plan would also create commerce and economic growth zones around regional airports to promote location of new businesses.

Specific elements of the plan's second component include:

- $300 million in capital to support key economic development and emerging technology projects.
- Building high-speed passenger trains to interconnect New York's cities.
- Rebuilding roads and bridges with a Highway and Bridge Capital Plan.
- Supporting the infrastructure to provide broadband access across the State.
- Reviving our water and sewer line infrastructure to support growth.
- Investing in the 21st Century Food Laboratory in Geneva and the State Data Center in Utica.
- Creating new commerce and economic growth zones around regional airports.

3. Making Upstate an International Powerhouse in New and Emerging Technologies: The Senate is advancing new incentives to encourage emerging technology companies that already do research and development in New York, to take that next step and actually manufacture their products in the Empire State. The plan would also seek to more fully integrate the groundbreaking research taking place at New York's outstanding colleges and universities, with the local and regional private-sector economies across upstate. The plan makes extensive investments to support expansion and assist in the retention of agribusiness and agriculturally related jobs in the State. Building upon the success of the J2K Program, $100 million in critical capital funding will be distributed through regional partnerships enacted in 2006.

Specific elements of the plan's third component include:

- Attracting major manufacturers with refundable tax credits, such as those that were successfully utilized to secure the AMD investment in the Capital Region.
- $100 million for regional partnerships for strategic investments.
- Taking advantage of the existing $300 million for regional venture funds to spur new investment and job creation.
- Investing in Agribusiness and Agricultural Enterprise Applied Research and Technology.
- Promoting and encouraging research produced in New York.
- Authorizing a sales tax exemption for businesses in academic incubators.
- Providing commercialization assistance grants.
- Increasing the Qualified Emerging Technology Company Credit.
- Creating Incentives for Bioscience and Nanoscience commercialization.
- Supporting new capital investments in Upstate's Outstanding Emerging Technology Centers.
- Reconfiguring Economic Development zones to address rural needs.

4. Reducing Energy Costs for Employers and Promote Energy Independence: New York's small business leaders have consistently cited high energy costs as a major obstacle to future growth, profitability and new job creation. To address this problem, Upstate Now advances a tax credit program that would help eligible small businesses afford the rising cost of energy. In addition, the upstate plan will ensure that New York will have renewable energy for the future. Encouraging renewable energy products to sustain future economic growth without being held hostage to a petroleum based economy.

Specific components of the energy package include the following:

Promoting energy independence and clean alternative energy.
Providing Energy Cost Assistance to Small Businesses (This initiative would provide a $350 million refundable energy tax credit to help 386,000 small businesses).
Providing Solar and Fuel Cell Manufacturer Tax Credits.
Offering Cellulosic Ethanol Production Tax Credit.
Offering Alternative Energy Use Tax Credit.
Eliminating the Petroleum Business Tax on Nonresidential Heating Fuel.
Providing $300 million for investments in clean, renewable energy research and commercialization, including clean coal and bio-fuels.
Reducing property taxes for land used for Biofeedstock Production.

5. Reducing Health Care Costs for Small Businesses to Insure More Families: The skyrocketing cost of health insurance forces many businesses to face the difficult decision of shifting more of the cost of coverage to employees or dropping coverage entirely. The Senate's plan would significantly reduce the number of uninsured New Yorkers through a combination of tax advantages, government initiatives and commercial insurance market reforms that would bring health insurance within the means of all small businesses and every New Yorker.

This component of the Upstate Now plan includes the following measures:

Enabling businesses to Purchase Healthy-NY at the unsubsidized cost.
Expanding Healthy-NY for Individuals, from 208 percent to 250 percent of the Federal Poverty Level.
Providing a Tax Credit for Small Business Health Insurance Costs.
Exempting Health Savings Accounts from State health Insurance Mandates (Freedom Policies).

6. Creating Thriving Main Streets: While much of the downstate metropolitan region continues to boom, far too many of our upstate communities continue to face real challenges. The Upstate Now strategic plan addresses this trend by making new investments in programs to revitalize our communities, eliminate blight, rehabilitate old buildings and clean up environmental hazards that inhibit new development.

The "Thriving Main Streets" component of Upstate Now includes the following:

Cleaning-up brownfields to encourage development.
Revitalizing downtowns.
Clearing, renovating and re-using obsolete manufacturing facilities.
Creating Community Renewal Zones.
Enacting an Asbestos Remediation Credit.
Better promoting upstate's historical sites, cultural heritage, arts, and recreational assets**.**

7. Winning the Global Competition for Manufacturing Plants: Over the past several years, major manufacturing facilities have located in the United States. New York must succeed in attracting huge new manufacturing investments. The Senate Majority will aggressively pursue initiatives -- from strategic investments, and tax incentive packages -- to ensure the Empire State is fully prepared to compete and win major manufacturing investments.

This component of the Upstate Now plan includes the following measures:

Targeting global manufacturers ready to locate new manufacturing facilities in the U.S.

Developing Regional Incentive Packages to aggressively lure major manufacturers.

Creating a minimum target for new manufacturing jobs.

Attracting major manufacturers with refundable tax credits.

8. Preparing the Finest Workforce in the Nation: The Upstate Now plan will seek to realign the State's workforce development programs to ensure that they are more effective in meeting dual needs of workers and employers. And while reforming and improving our workforce training programs, the Upstate Now initiative will also provide new incentives to encourage young New Yorkers to live, learn and work in our State.

This component of the Upstate Now plan includes the following measures:

Expanding opportunities for remote learning through the SUNY Learning Network.

Creating an Interactive Online Empire Education One-Stop Gateway to training and education.

Supporting experience-based education that prepares students for the workplace.

Supporting development of a network of Community College Technology Training Centers.

Creating Regional High Tech High Schools.

Helping employers that invest in training for employees or internships for College Students.

Supporting statewide rollout of the New Work Readiness Certificate.

Enhancing funding for Individual Training Accounts (ITA'S).

9. Establish the Upstate Now One-Stop Business Start-Up and Support Program: Our nation's economic strength was built by industrious Americans who had the courage, foresight and determination to launch their own business. Upstate Now includes a wide array of new initiatives to help make doing business in New York easier, and to promote entrepreneurship, encourage investment and provide support for starting and growing a business. Upstate Now will provide an online one-stop location for information, business development, and permitting, as well as a new "Business Hotline" staffed seven days per week.

This component of the Upstate Now plan includes the following measures:

Creating a new "5-1-1" Hotline for Small Businesses.

Establishing a "Virtual Business Toolbox" containing problem-solving tools.

Establishing a Virtual Business Incubation Program for small and start-up companies.

Creating an online clearinghouse of forms and regulations in plain language.

Ensuring adequate sources of start-up funds to finance new businesses.

Establishing Empire Entrepreneur Accounts to encourage savings to start a business, including revolving loan funds for industries such as agribusiness.

Putting upstate economic development czar on equal footing and authority with downstate ESD Chair.

The Upstate Now plan would also build upon the appointment last year of an "Upstate Economic Czar". Under current State law, this post is largely ceremonial or symbolic, and is not vested with any real decision making power or authority within the ESD power structure.

By changing State law to place the position on a truly equal footing with the "downstate" ESD Chair, and by ensuring equal voting and decision making authority between the two "co-chairs," we can better ensure that the unique challenges and needs of the Upstate economy are given the proper time, attention and resources they deserve. In effect, this change would simply make certain that both Upstate and Downstate have an equal seat at the table, and are treated with equal consideration when it comes to ESD operations, funding decisions, and economic policy making.

10. Marketing Upstate's Outstanding Recreational, Cultural and Tourism Opportunities: Upstate Now will enhance local coordination of marketing New York’s regionally significant destinations and spotlight the State’s historic sites and agricultural tourist attractions. Upstate Now will create a comprehensive statewide system of accessible and safe multiuse thematic trails for every age.

Specific components of this portion of the Upstate Now plan include:

Enhancing Local Coordination and Marketing for Regionally-Significant Tourism Destinations, such as the Saratoga Springs mineral baths and thoroughbred racing, Finger Lakes wineries, and Adirondack winter sports opportunities.

Promoting Upstate's Unparalleled Historic Sites and Cultural Heritage.

Promoting Agri-Tourism including fresh markets, wine trails and associated industries.

Elevating the ‘I Love New York’ program to a cabinet level position.

To fully tap the economic potential of tourism, particularly in the upstate region, the Senate Majority will propose elevating the ‘I Love New York’ program to new prominence by removing it from under the auspices of Empire State Development. The plan will not establish a new bureaucracy, but calls for making the Director of the ‘I Love New York’ Program a cabinet level position that reports directly to the Governor, rather than to the Chair of ESDC.

Where's the relief?

Comparing plans for business tax relief

2008-09
Executive Budget

$0

Governor's budget includes nearly $2 billion in new and higher taxes and fees

UPstate NOW
New York State Senate

$2.7 billion

Business and corporate tax relief

√ Eliminating business taxes on manufacturing
√ Reduce Corporate Franchise Tax rate
√ Reduce small business taxes
√ Invest unused tax credits Upstate

Lowering the Cost of Health Care

√ Tax credit for small business health insurance

Lowering Energy Costs

√ Energy assistance tax credit for small business
√ Solar and fuel cell manufacturer tax credit
√ Tax credit for cellulosic ethanol production
√ Alternative energy use tax credit
√ Eliminate PBT on commercial heating fuel

High-Tech Tax Incentives

√ Sales tax relief for businesses in incubators
√ Lab-to-factory manufacturing credit
√ Emerging technology credit

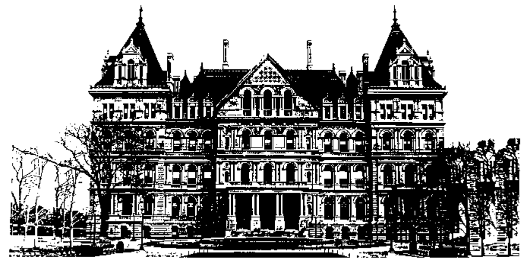
Other Tax Relief

√ Small business property tax relief
√ End of federal taxation of state job incentives

Investing in Upstate's Future

2008-09 Executive Budget **$1 billion**	New York State Senate **$1.1 billion**
$50 million Upstate agribusiness fund	$50 million AG-JOBS NY
$10 million venture capital fund	$300 million venture capital fund used to leverage $300 million in private investment
$30 million railway improvement fund	$55 million high-speed rail initiative
Upstate Revitalization Fund Road & bridge maintenance Housing State Park improvements	Many projects included in 2007 three-way capital agreement; most eligible for routine capital funding

NEW ECONOMIC DEVELOPMENT PROGRAMS



The SFY 2008-09 Executive Budget proposes legislation and funding for the following major new economic development programs:

In Empire State Development Corporation

- $350 million for the Upstate Regional Blueprint Fund;
- $200 million for the Downstate Regional Revitalization Fund;
- $50 million for the Upstate Agricultural Economic Development Fund;
- $40 million for the Arts and Cultural Fund;
- $60 million for the Economic and Community Development Fund;
- $150 million for the Investment and Opportunity Fund (this the same proposal advanced under the name Investment and Job Creation Program in SFY 2007-08);

In Department of Transportation

- $60 million for the Local Bridge Improvement Program (See DOT.)

In Housing and Community Renewal

- $400 million for the Housing and Community Renewal Program (See DHCR.)

In Office for Technology

- $15 million for the Universal Broadband Access Program (See OFT.)

The Executive establishes nine new capital programs with appropriations or commitments totaling $1.6 billion. Are these actually programs or discretionary lump sums disguised as programs? The following six programs that will be administered by Empire State Development Corporation clearly represent different points on the "lump sum continuum" including bypassing the Public Authorities Control Board Review Process.

The **Economic and Community Development Fund** will provide $60 million "capital grants to support projects that will facilitate the development and preservation of New York State's educational, recreational, tourism and infrastructure resources". Projects must require at least $250,000 in funding. The proposal does not clearly define who would be eligible to apply. The application process and program selection criteria are not specified. Clearly this "program" appears to be a discretionary lump sum appropriation.

The **Arts and Cultural Fund** is $40 million and will 'provide capital grants to support the preservation and expansion of cultural institutions" and projects must require at least $250,000 in funding. It also suffers from the same deficiencies as the Economic and Community Development Fund and should be classified as a lump sum appropriation.

The **Upstate Regional Blueprint Fund** will provide $350 million in funds for projects that "capitalize on each region's unique assets and potential to spur economic development". Priority will be given to distressed communities and those projects with significant matching funds and regional support. Expected size and scope of projects are not specified in the Article VII language nor is the application through an RFP process. This "program" appears to be a discretionary lump sum appropriation.

The **Downstate Regional Revitalization Fund** will provide $220 million to "encourage community and business development".

Preference will be given to projects in Investment Zones and distressed communities and those projects with significant matching funds and regional support. This program solicits applicants through an RFP process but the size and scope of projects is also not specified.

The **Upstate Agricultural Economic Development Fund** will provide $50 million to support growth of the food and agriculture industry through "investments that promote the development of alternative fuel products, access to markets, and farm and agriculture infrastructure." Municipalities, educational institutions, and farm cooperatives are among the eligible applicants, but for profit-businesses are not. The program does not solicit applications through a RFP process, and does not outline selection priorities and does not require matching funds. This program benefits from a more narrow focus than the others but appears to be subject to discretionary decision making and is outside of public and Legislative review.

The **Investment Opportunity Fund** is identical, except for the name and funding level, to the Executive's SFY 2007-08 Investment and Job Creation Program. However, this year the Executive requests $150 million while last year the Executive requested $300 million for this program. This program is for "major projects that will create significant regional economic benefits or that provide economic benefits to distressed areas." This program has very broad and vague objectives but it has programmatic features. Projects will be solicited through a request for proposals process. Applicants that seek funding through this program must submit projects that conform to goals of a local or regional comprehensive plan.

The most unique feature of this proposed program is its project funding approval mechanism. Projects funded under this new program will not be subject to the Public Authorities Control Board's (PACB) review and approval instead an Investment Opportunity Fund Capital Approval Board will authorize funding for projects. The three voting members of the new Approval Board will be the Director of the Budget, Temporary President of the Senate and the Speaker of the Assembly. The Board will utilize a default approval process that allegedly aims to reduce uncertainty and delays. Projects will be automatically approved 30 days after submission unless one voting member indicates disapproval in writing within the 30 day consideration period.

This program operates under a RFP process and specifies some of the evaluation criteria yet the goals of the program are so broad that no project would be excluded. It is not clear what this program adds to the economic development portfolio that additional funding for Restore NY, as proposed in the Senate's Upstate Now plan, would not also achieve.

HIGHER EDUCATION AFFORDABILITY AND ACCESS

Overview

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

The Senate Majority Higher Education Affordability and Access initiative, which passed the Senate in 2007 (S.6289) provides $148.9 million in relief in SFY 2007-08, ($456.5 in SFY 2008-09) to alleviate the financial burden borne by hardworking New York State taxpayers and to strengthen the higher education sector. Below is a summary of the provisions of the 2007 Senate higher education initiatives.

TAP Expansion/ Enhancement Initiative

The TAP expansion/enhancement initiative includes provisions to:

- Increase dependent students' household income eligibility cap for TAP from $80,000 to $100,000 net taxable income (NTI) and extend TAP benefits to 22,000 additional New York State families.
- Increase nondependent students' income eligibility from $10,000 to $12,500 NTI.
- Raise the minimum TAP award from $500 to $1,000, under the award schedule for families with dependent students.

Expanding the Tuition Tax Credit/Deduction Program

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

Establishing the Student Loan Debt Relief Program

Student indebtedness is becoming a national crisis affecting many New York State college graduates. The average college graduate from a public institution now owes $15,000 in student loan debt, or $21,000 if they attended a private university. The New York State Student

Loan Debt Relief Program would provide a tax credit of up to 50 percent (or up to $1,000 annually) toward student loan payments for those earning $50,000 or less. The tax credit would be available for five years, beginning with the 2007 tax year. This program would substantially reduce the default rate on student loans, while providing an incentive for college graduates to remain in New York State after graduation. The plan requires a State investment of $30 million in the first year, with an estimated full annual investment of $275 million thereafter.

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

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

In an effort to retain a science- and technology-oriented workforce in New York State, the new Senate initiative also provides $1,000 in State grant money in the first year to 1,000 eligible New York residents with a degree in math, science or engineering technology for each year of employment in any science, engineering or technology field (other than teaching) in New York State for up to five years. This grant program would begin in the 2008 tax year. Degrees must have been awarded in the 2007-08 academic year or thereafter. Under the proposal, 1,000 new undergraduate and graduate grants will be awarded each year for five years, for a total of 5,000 grants. The program is fiscally neutral in the first year, with State funding rising to $1 million for SFY 2008-09 and $5 million when fully phased in by SFY 2012-13.

Enhancing Tuition Awards for Veterans

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

Middle Income Tuition Relief Program

Senator Kenneth P. LaValle, Chairman of the Senate Higher Education Committee, recently announced a major initiative that would provide significant relief for middle income families struggling to pay for college. An income-eligible family would not contribute more than 10 percent of their net taxable income (NTI) toward college tuition and fees costs. Senator LaValle announced that legislation capping a family's contribution for tuition and fees at 10 percent of NTI would be introduced during the 2008 Legislative session. Under the measure, families with annual incomes less than $150,000 would be eligible to receive this benefit. Students would be able to attend a state or City University or a community college, or a private university that agrees to limit annual tuition increases. The State's share of this program would provide a maximum of $12,500 in financial assistance for tuition and fees. The State aid would be granted prior to the family's contribution, but after Federal aid and other State aid programs were credited to a student's account. The family would be responsible for any remaining balance, not to exceed 10 percent of their net taxable income. Senator LaValle's proposal is similar to Harvard University's new financial aid policy designed to help the middle and upper middle class pay for the costs of a college education. Under the Harvard University plan announced in December of 2007, families with incomes above $120,000 and below $180,000 will be expected to contribute no more than 10 percent of their incomes. The expected family contribution will decline gradually to zero for those earning $60,000 and below.

Senator LaValle's proposal will effectively extend tuition assistance benefits to middle income New Yorkers. As shown in the attached chart, for almost a decade, the average TAP award has remained below the cost of tuition and fees at SUNY and CUNY owning to the income eligibility cap and award schedules that limit participation of middle income families. TAP currently pays maximum awards for a small percentage of families with income below $10,000.

Tuition Assistance Program and Tuition and Fees Charges					
Year	***TAP Expenditures (Millions $)***	***TAP Recipients***	***Average TAP Expenditure per Recipient ($)***	***SUNY 4-Yr Average Tuition Fee ($)***	***CUNY 4-Yr Average Tuition Fee ($)***
2000-01	634.7	289,157	2,242	4,517	3,328
2001-02	673.4	298,812	2,299	4,681	3,336
2002-03	726.0	312,547	2,324	4,785	3,486
2003-04	845.0	328,094	2,577	5,595	4,286
2004-05	874.0	335,513	2,606	5,738	4,286
2005-06	863.0	330,393	2,612	6,025	4,309
2006-07*	831.0	320,930	2,590	6,152	4,309
2007-08**	807.0	312,779	2,582	N/A	N/A
2008-09**	804.0	311,036	2,588	N/A	N/A
*Estimated, **Projected					
Source: Higher Education Services Corporation 2008-09 Budget Request, The 2008-09 New York State Executive Budget, and NYS Education Department website.					

COMMISSION ON HIGHER EDUCATION

BACKGROUND

The New York State Commission on Higher Education was established by Governor Spitzer's Executive Order Number 14 on May 29, 2007. The Commission is comprised of 30 members appointed by the Governor, including two members appointed upon the recommendation of the Temporary President of the Senate, and two upon the recommendation of the Speaker of the Assembly. The Commission was charged with the responsibility for undertaking a comprehensive review of New York State higher education policies and practices, particularly as they relate to SUNY and CUNY, and to make recommendations necessary for improvement. On December 17, 2007, the Commission delivered its preliminary report to the Governor.

SUMMARY OF FINDINGS

The Commission notes that New York State's share of Federal academic Research and Development (R&D) dollars has declined to 7.9 percent in 2005, from 10 percent in 1985. According to the Commission, this trend is attributable to protracted underfunding of SUNY and CUNY's doctoral programs, which inhibits their ability to attract top-ranking faculty researchers and elite students. Furthermore, the Commission observes that workforce development efforts in New York State are disorganized. *"There is no lead agency. No single state agency has been assigned a lead role for workforce development."* The consequence has been a lack of coherent State workforce development objectives.

Access, preparedness and affordability

The Commission observes that a significant barrier to higher education exists in many parts of the State. In its words, "New York State is really a tale of two states: the haves and have-nots." Despite being among the wealthiest states with a large proportion of highly educated and financially secure citizens, New York has one of the highest poverty rates and largest proportions of educationally disadvantaged." Apropos, the Commission notes that abysmally low college graduation rates, particularly at the community college level, are partly caused by inadequate preparation of students in high school for college-level work. Another significant barrier to higher education identified by the Commission is the inadequate, inconsistent transfer and articulation policies, particularly with regard to students transitioning from community colleges into baccalaureate programs.

SUNY and CUNY Governance

The Commission notes that the governance structures at SUNY and CUNY are complex, cumbersome and operate to stifle efficiency and innovation. Especially with regard to SUNY's 64 campuses, the Commission observes that "the span of control makes it too great a challenge for the SUNY

Board of Trustees to provide adequate oversight to the entire system." The Committee also notes that both New York State public university systems are plagued by over-regulation, which serves to limit their competitiveness. Respecting SUNY, the Commission believes that its status as a State agency has hindered its progress on many fronts, including real property transactions and procurement.

Operating resources

According to the Commission, SUNY and CUNY suffer through long periods of operating budget inadequacy, with the unfortunate consequence of diminished services and standards. The Committee notes that since 1991-92, "state support per FTE has declined from $5,581 to $3,992 (a decrease of 28 percent)".

SUMMARY OF MAJOR RECOMMENDATIONS

The Commission's major policy and funding recommendations include the following:

Establish of a $3 billion Empire State Innovation Research Fund to support academic research in New York State public and private colleges and universities.

Create a low-cost student loan program for New York State residents attending college in New York State.

Establish the New York State Compact for Public Higher Education as the basis for financing operations and investments at CUNY and SUNY.

Rebuild CUNY and SUNY faculty ranks by strategically hiring an additional 2,000 full-time faculty, including 250 eminent scholars, over the next five years.

Modify SUNY's governance structure and system executive staff to provide more focused attention and support for the research campuses.

Provide meaningful regulatory relief for SUNY and CUNY; by removing restrictions that impede campuses' ability to adapt quickly and promote quality.

Develop **Educational Partnership Zones** (EPZ) in high-need school districts to integrate higher education and K-12 resources to improve student outcomes and enhance college participation. Create the **"Million Dollar Promise" program that would guarantee every 7th and 8th grade students within an EPZ a tuition-free education at SUNY or CUNY**, and creation of a special **State scholarship to cover any unmet college costs of such 7th and 8th grade students**.

Eliminate critical infrastructure maintenance backlogs at SUNY and CUNY over the next ten years. Implement multiple funding streams for capital projects at SUNY and CUNY.

Ensure that high school graduates are well prepared for college through a College Readiness Act. (See attached chart for funding recommendations.)

While many of the Commission's recommendations could enhance the national standing of New York State higher education, critical details are lacking with regards to funding sources and implementation modalities. **The Commission's Tuition Assistance Program (TAP) proposal leaves out the majority of middle class New Yorkers who are struggling with high costs of college education.** The 2007 Senate Majority Higher Education initiatives, embodied in Senate bill 6289, was a bold attempt to alleviate several of the concerns of New Yorkers about access to higher education, affordability and accountability. This bill, which passed the Senate in 2007, raises the income eligibility cap for TAP recipients from $80,000 to $100,000, and enhances awards across the board. The rising costs of college education and its impact on middle income New Yorkers continue to be a great concern for the Senate Majority. (See *Higher Education Affordability and Access* in this section for greater details.) The Chair of Senate Higher Education Committee, Senator LaValle, has recently announced a proposal to limit a family contribution toward college tuition and fee costs in New York State to 10 percent of net taxable income up to $150,000.

Although not proposed in the Executive Budget, the "Compact" idea as a guiding principle for financing SUNY and CUNY operations needs to take cognizance of the high cost of college education and the issue of student indebtedness for which the Senate Majority initiatives provide relief.

Commission on Higher Education
Recommendations and Costs

	Recommendation	*Sector*	*First Year Cost*	*Total Cost*
1.	Empire State Innovation Fund (ten years)	Private/Public	$300 million	$3 billion
2.	Hire 2000 Full-time faculty, including 250 eminent faculty in 5 years	Public	$600 million	$3 billion
3.	Increase Graduate Student stipend	Public	Unspecified	
4.	Lab and research infrastructure upgrade	Public	Unspecified	
5.	Increase BUNDY Aid funding	Private	Unspecified	
6.	Recruit 4,000 graduate students over 5 years	Public	$52 million	$52 million
7.	Three Global Science Excellence Clusters in Upstate	Public/Private	Unspecified	
8.	Collective licensing of academic library	Public	$15 million	$15 million
10.	Expanding international education	Public/Private	Unspecified	
11.	Clearinghouse for community service programs	Public/Private	Unspecified	
12.	Single State workforce planning entity	Public/Private	Unspecified	
13.	Enhanced funding for community colleges' noncredit and high-cost programs	Public	Unspecified	
14.	Education Partnership Zones	Public/Private	Unspecified	
15.	College Readiness Act	Public/Private	Unspecified	
16.	Enhance TAP Awards	Public/Private	$70 million	$70 million
17.	Increase funding for part-time study	Public/Private	Unspecified	
18.	Low Cost Loan with tax-exempt bonds	Public/Private	Unspecified	
19.	SUNY/CUNY Compact	Public	Unspecified	
20.	Prepayment of community colleges State and local funding obligations by the State	Public	Unspecified	
21.	Eliminate critical infrastructure maintenance backlog valued at $5 billion at SUNY and CUNY	Public	Funding methodology	$5 billion

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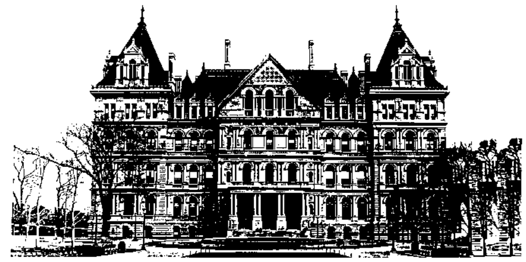
HIGHER EDUCATION CAPITAL PLAN



The SFY 2008-09 Executive Budget proposes new five-year capital plans for the two State public university systems – the State University of New York (SUNY) and the City University of New York (CUNY). The SUNY and CUNY five year capital plans are proposed at $9.3 billion ($6.5 billion for SUNY and $2.8 billion for CUNY). (See attached Table 2 for allocations to sectors.) The Executive Budget does not list out specific projects for the new five-year plan for either SUNY or CUNY.

The Executive recommends the creation of a new five-member board – the University Capital Projects Review Board - with one member each from the Senate Majority Leader, Assembly Speaker, the Executive, and minority leaders in Senate and Assembly to approve strategic initiative projects submitted by SUNY and CUNY Board of Trustees. Of the $9.3 billion five-year capital plan, $2.56 billion (SUNY $1.612 billion and CUNY $960 million) is reserved for such strategic initiative or new projects to be reviewed and approved by the new board. New five-year capital appropriations for critical maintenance represent $4.17 billion, $2.75 billion for SUNY State-operated and Statutory campuses and $1.42 billion for CUNY Senior Colleges. This critical maintenance projects are not subject to approval by the new board. Project selection is to be decided by SUNY and CUNY in conjunction with the Director of the Budget.

SUNY

The SFY 2008-09 Executive Budget recommends $6.5 billion for SUNY's new five-year capital plan – 2008-09 through 2012-13. Of this amount, $3.26 billion is appropriated to the SUNY academic facilities capital programs, $2.737 billion for the State-operated campuses and $525.6 million for the community colleges. See Tables 1 and 2 below for amounts of appropriations in the existing plans and the proposed appropriations by system and sector. Appropriations for Critical maintenance for 2009-10 through 2012-2013 totaling $2.2 billion are not reflected in the Executive SFY 2008-09 proposed appropriations.

SUNY State-operated campuses

Strategic Initiatives

Breaking from current practice in which funded projects are lined out, the Executive recommends $1.6 billion in lump sums for strategic initiative and new projects at SUNY state-operated campuses to be distributed pursuant to the new University Capital Projects Review Board.

Critical Maintenance

The SFY 2008-09 recommended appropriations for critical maintenance projects at SUNY State-operated and Statutory campuses total $550 million. As shown in the attached chart, the amount is distributed by campus, not by project, breaking from current practice. There is no way to determine what projects will be funded.

SUNY Community Colleges

Recommended five-year plan for the community colleges totals $525.59 million. Of this amount, $20 million is appropriated as hard dollar lump and $450 million is appropriated as university-wide lump for projects to be determined by the university and the Division of the Budget. Individual project schedule for community colleges valued at $56 million are included in the budget as shown in the attached chart.

SUNY Dormitories

The Executive recommends $573 million for SUNY dormitories. Of this amount, $123 million in non-bonded funds would support critical maintenance and emergency projects. The projects are not itemized. The dormitory capital program is self-supporting through dormitory revenues.

SUNY Hospitals

The new-five year plan includes a $450 million appropriation for SUNY hospitals in Syracuse, Brooklyn, and Stony Brook for critical maintenance and new facilities. Each hospital is allocated $150 million. The hospital capital program is self-supporting through hospital revenues.

Other SUNY Initiatives

The new five-year plan for SUNY includes a separate appropriation for $75 million for the "Greening of SUNY" initiative to encourage self-supporting energy efficient projects. A new $500 million dry appropriation is also included to enable SUNY to use non-State dollars to fund capital projects.

The balance of the existing $4.76 billion five-year SUNY plan enacted in SFY 2003-04 and 2004-05 and supplemented in SFY 2006-07 and 2007-08 is reappropriated. The Executive Budget also recommends raising SUNY's bond cap by $1.6 billion to a total of $10.03 billion.

CUNY

The SFY 2008-09 Executive Budget recommends $2.8 billion for CUNY's new five-year capital plan – 2008-09 through 2012-13. Of this amount, $2.5 billion is appropriated to the CUNY Senior Colleges and $260.4 million for the Community colleges' academic facilities. See *Tables 1 and 2* below for amounts of appropriations in the existing plans and the proposed appropriations by system and sector. Appropriations for critical maintenance for 2009-10 through 2012-2013 totaling $1.1 billion are not reflected in SFY 2008-09 authorizations.

CUNY Senior Colleges

Strategic Initiatives

The Executive recommends $960 million in lump sum non-itemized appropriations for new projects at CUNY state-operated campuses to be distributed pursuant to the new University Capital Projects Review Board.

Critical Maintenance

The SFY 2008-09 recommended appropriation for critical maintenance projects at CUNY Senior colleges totals $284.2 million. As shown in the attached chart, the amount is a lump sum. In addition, $23.2 million is appropriated to be funded through non-bonded capital funds. This appropriation is also not itemized.

CUNY Community Colleges

The proposed five-year plan for the community colleges totals 260.4 million. Of this amount, $2.75 million is appropriated as non-bonded capital lump sum and $250 million is appropriated as university-wide critical maintenance and new projects lump to be determined by the University and the Division of the Budget.

The balance of the existing $2.2 billion five-year CUNY plan enacted in SFY 2003-04 and 2004-05 and supplemented in SFY 2006-07 and 2007-08 has been reappropriated.

Table 1	Higher Education Multi-Year Capital Appropriations and Additions SFY 2003-04 through SFY 2007-08					
	2003-04	**2004-05**	**2005-06**	**2006-07**	**2007-08**	**Total**
SUNY	**Thousands of dollars**					
State-operated Campuses		1,787,000	662,175	486,226	379,700	**3,315,101**
Community Colleges	210,000		53,270	82,936	0	**346,206**
SUNY Academic sub-total	***210,000***	***1,787,000***	***715,445***	***569,162***	***379,700***	***3,661,307***
SUNY Dormitories	335,000			350,000		**685,000**
SUNY Hospitals	350,000		69,000			**419,000**
All SUNY	**895,000**	**1,787,000**	**784,445**	**919,162**	**379,700**	**4,765,307**
CUNY						
Senior Colleges		1,115,000	222,097	261,731	225,000	**1,823,828**
Community Colleges	55,000		125,849	75,349	40,800	**296,998**
All CUNY	**55,000**	**1,115,000**	**347,946**	**337,080**	**265,800**	**2,120,826**
Independent Sector			150,000			**150,000**
Independent			150,000			**150,000**

Table 2	Proposed Plans: 2008-09 through 2012-13	
	2008-09 Appropriations	**Future Appropriations**
	(Thousands of dollars)	
SUNY		
State-operated Campuses	2,737,700	2,200,000
Community Colleges	525,595	
SUNY Academic sub-total	**3,263,295**	
SUNY Dormitories	573,000	
SUNY Hospitals	450,000	
Total SUNY	**4,286,295**	**2,200,000**
Grand TOTAL SUNY		**6,486,295**
CUNY		
Senior Colleges	1,439,152	1,136,880
Community Colleges	260,450	
Total CUNY	**1,699,602**	**1,136,880**
Grand TOTAL CUNY		**2,836,482**
SUNY AND CUNY TOTAL		**9,322,777,000**

2008-2013 CUNY CAPITAL PLAN

CUNY SENIOR COLLEGES	AMOUNT	
Hard Dollar	23,232,000	Not Itemized
New Projects	960,000,000	Not Itemized
Critical Maintenance (2008-09)	284,220,000	Not Itemized
Critical Maintenance Future Appropriation	1,136,880,000	Not Itemized
Project Administration Costs	61,700,000	Not Itemized
Operational Changes	110,000,000	Not Itemized
CUNY SENIOR COLLEGES TOTAL	**2,576,032,000**	
CUNY COMMUNITY COLLEGES		
Hard Dollar	2,750,000	Not Itemized
New Projects and Critical Maintenance	250,000,000	Not Itemized
Project Administration Costs	7,700,000	Not Itemized
CUNY COMMUNITY COLLEGES TOTAL	**260,450,000**	
TOTAL CUNY APPROPRIATION	**1,699,602,000**	
TOTAL CUNY PLAN	**2,836,482,000**	

2008-2013 SUNY CAPITAL PLAN

SUNY STATE-OPERATED AND STATUTORY CAMPUSES	AMOUNT	
New Projects	1,612,000,000	Not Itemized
Critical Maintenance (2008-09)	550,000,000	Not itemized*
Critical Maintenance Future Appropriation	2,200,000,000	Not Itemized
Expected non-State capital funds	500,000,000	Not Itemized
Greening of SUNY	75,000,000	Not Itemized
SUNY STATE-OPERATED AND STATUTORY CAMPUSES TOTAL	**4,937,000,000**	
SUNY HOSPITALS	**450,000,000**	Itemized
RESIDENCE HALLS (HARD DOLLAR)	123,000,000	Not Itemized
RESIDENCE HALLS (BONDED)	450,000,000	Not Itemized
RESIDENCE HALLS TOTAL	**573,000,000**	
SUNY COMMUNITY COLLEGES		
Hard Dollar	20,000,000	Not Itemized
New Projects and Critical Maintenance	450,000,000	Not Itemized
New Projects and Critical Maintenance	56,000,000	Itemized
TOTAL SUNY PLAN	**6,486,000,000**	

*Projects are not itemized.

2008-2013 SUNY CAPITAL PLAN

SUNY STATE- OPERATED AND STATUTORY CAMPUSES		CRITICAL MAINTENANCE ALLOCATIONS
Albany		33,755,000
Alfred Ceramics		2,924,000
Alfred State		7,707,000
Binghamton		32,568,000
Brockport		19,927,000
Brooklyn Health Science Center (HSC)		13,087,000
Buffalo College		24,908,000
Buffalo University		64,027,000
Canton		5,286,000
Cobleskill		7,057,000
Cornell		33,624,000
Cortland		16,916,000
Delhi		6,068,000
Empire State		736,000
Environmental Science and Forestry		8,515,000
Farmingdale		15,199,000
Fredonia		13,857,000
Geneseo		14,607,000
Maritime		5,971,000
Morrisville		8,693,000
New Paltz		16,456,000
Old Westbury		9,194,000
Oneonta		14,285,000
Optometry		3,248,000
Oswego		21,931,000
Plattsburgh		13,824,000
Potsdam		14,233,000
Purchase		16,015,000
State Univ Plaza		5,141,000
Stony Brook, incl Health Science Center (HSC)		72,893,000
Syracuse Health Science Center (HSC)		7,839,000
Utica-Rome		3,009,000
University-wide Alterations and Improvements	For University-wide capital critical maintenance	16,500,000
SUNY STATE- OPERATED AND STATUTORY CAMPUSES TOTAL		**550,000,000**

SUNY COMMUNITY COLLEGES

	TOTAL SHARE	50% SHARE
Itemized Appropriation Total =	**111,189,000**	**55,594,500**
Adirondack CC		
Regional Higher Education Center	556,000	278,000
Broome CC		
Technology Building	10,000,000	5,000,000
Corning CC		
Renovations & Revitalization Phase II	13,091,000	6,545,500
Alterations & Additions to Goff Road Facility	1,434,000	717,000
Fashion Institute of Technology		
Toy Design And Development Lab	300,000	150,000
Finger Lakes CC		
Auditorium and Performing Arts Facility	16,000,000	8,000,000
Fulton-Montgomery CC		
Upgrades to Waste Water Treatment Plant	422,000	211,000
Herkimer County CC		
Library Additions & Renovations	50,000	25,000
Hudson Valley CC		
New Parking Structure	15,600,000	7,800,000
Jamestown CC		
Facilities Master Plan Update	140,000	70,000
Monroe CC		
Field House	12,900,000	6,450,000
ATEC/Building 9, Phase I	12,000,000	6,000,000
Nassau CC		
Road and Parking Paving	4,000,000	2,000,000
Window Replacement	1,200,000	600,000
Suffolk County CC		
Fire Sprinkler Infrastructure	74,000	37,000
Reconstruction of Central Plaza	750,000	375,000
Sullivan County CC		
Renovations for Instructional Programs	250,000	125,000
Center for Advanced Science & Technology	15,000,000	7,500,000

Ulster CC		
Update Facilities Master Plan Phase I	840,000	420,000
Westchester CC		
Air Conditioning & CFC	244,000	122,000
Administration Building Renovations	220,000	110,000
Physical Education Field Improvements	2,866,000	1,433,000
Physical Education Building Renovations (Design)	362,000	181,000
Health Science Building Renovations	188,000	94,000
Technology Improvements	2,702,000	1,351,000
Itemized Appropriation Total	**111,189,000**	**55,594,500**
Community College Lump - Pursuant to SUCF, Local Sponsors and DOB	900,000,000	450,000,000
SUNY COMMUNITY COLLEGES TOTAL	**1,011,189,000**	**505,594,500**

2008-2013 SUNY CAPITAL PLAN

SUNY HOSPITALS

Brooklyn	**150,000,000**
Four university-wide projects which may include but not limited to:	
Ambulatory Services Expansion, Phase I	
Ongoing Critical Maintenance Projects	
Syracuse	**150,000,000**
Four university-wide projects which may include but not limited to:	
Heart Center Renovations	
Cancer Center Design and Construction	
UH North and West Wing Renovations	
Ancillary Services Facilities	
Stony Brook	**150,000,000**
Four university-wide projects which may include but not limited to:	
Intensive Care Building Design and Construction	
Level 8 & 9 Hospital Floor Rehabilitation	
Hospital Building Exterior Renovation	
Neorointerventional Program Facilities	
SUNY HOSPITALS TOTAL	**450,000,000**

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Senate Health Care Reform Recommendations Proposed By The Executive

It has been said that imitation is the most sincere form of flattery, so it's noteworthy to see so many recommendations from the 2003 Senate Medicaid Reform Task Force advanced as part of the SFY 2008-09 Executive Budget.

In December 2003, the Senate Medicaid Reform Task Force released a report with numerous recommendations for improving access to affordable quality health care in New York State. This was followed by Legislation (S.7617) to implement many of the recommendations. The recommendations included proposals for **disease management, long term care reform** and initiatives to improve the **quality and cost effectiveness of State financed pharmaceutical programs**. In addition to the Task Force report, the Senate Majority has continuously advocated for aggressive action against fraud in the health care system, both from the perspective of fiscal savings and to protect consumers. The Senate first proposed the creation of a Medicaid Inspector General in 2005 (S.3685)

The Establishment of **Disease Management programs** was the first recommendation of the Senate Medicaid Reform Task Force Report. The Senate Republicans allocated $3 million for Disease Management programs funded through the Health Care Reform Act (HCRA) program in the SFY 2004-05 Enacted Budget. As of December 31, 2007, approximately $18 million has been allocated to disease management programs through HCRA. However, during the course of the last four years the Department of Health has consistently delayed implementation of these programs. Now, five years after this program was begun, the SFY 2008-09 Executive Budget proposes two disease management programs. The first is a medication therapy management demonstration program and the other authorizes Medicaid reimbursement for providers who offer diabetes and asthma self management programs.

The Senate Medicaid Task Force Report recommendations on **Long Term Care Reform** emphasized non-institutional long term care services as a way to provide higher quality health care at less cost. These recommendations included access to comprehensive information on long term care services, caregiver respite funding and targeted home and community based care initiatives. During the two years following release of the Task Force recommendations, the previous administration allocated an additional $25 million to home and community based services through the State Office for the Aging (SOFA). Yet, the SFY 2008-09 Executive Budget states that the proposed budget initiates "…the transformation of the Long Term Care system…" and includes an additional $13.8 million appropriated in SOFA for targeted home and community based programs for seniors. The Senate, in partnership with the previous administration has been implementing home and community based initiatives for years.

The Senate Task Force also recommended the State undertake a comprehensive review of the Certificate of Need (CON) process: "Various changes and trends in the health care system, including increased competition in the marketplace and increased instances of need for restructuring, merit a comprehensive reexamination of the structure and circumstances of the CON process in order to assure that it best meets the State's public health policy needs and the needs of the current health care environment. This examination should include the identification and correction of aspects of the process which may currently hamper the system's cost efficiency, as well as, those upon which revision could otherwise further facilitate such efficiency." The SFY 2008-09 Executive budget recommends $7 million for health care planning purposes which would clearly include CON reform and an investigation into an onerous regulatory structure that impedes delivery of safe, quality care.

The Senate Medicaid Task Force Report included several **recommendations for reducing the cost of pharmaceuticals** while maintaining access and quality to needed drugs. Among these proposals were: establishing a preferred drug list (PDL) (this was accomplished as part of the SFY 2005-06 Enacted Budget); expanding use of the Federal 340B Federal Drug Discount Program (a program by which participating providers agree to accept a rate lower than Medicaid for certain drugs); expanding the use of generic drugs, and exploring the development of varied drug reimbursement rates.

The SFY 2008-09 Executive Budget anticipates $4 million in savings from 340B pricing opportunities, $18 million in savings from expanding the PDL, and $4 million in savings from implementing a specialty pricing program for high cost drugs (full annual benefit is estimated to be $13 million net of administrative costs).

The SFY 2008-09 Executive Budget establishes a Pre-Natal Care Risk Assessment/Registration/Care Coordination initiative and includes $1 million in State savings. This initiative was first advanced last year in the Senate One House budget bill (S. 2180-B, Section 14) and later was introduced by the Senate in separate legislation (S.5787). This program is modeled after the Monroe Plan Healthy Beginnings Program, which provides for early identification of women at-risk to deliver pre-term babies. Attention is then focused on the mother's medical care in an effort to minimize the likelihood they will give birth to premature unhealthy babies and therefore further the newborns future quality of life while avoiding unnecessary and costly neonatal intensive care unit admissions.

The Senate continued to push for reforms that would improve the integrity of New York's Medicaid program. In 2005, the Senate introduced legislation to **combat fraud, waste and abuse in** the Medicaid program.(S.3685) The Senate legislation established an Office of Medicaid Inspector General (OMIG) and consolidated fraud prevention and detection activities into this office. In addition, the Senate legislation provided the OMIG with various tools to successfully combat fraud, waste, and abuse in a Medicaid, a program that had grown to more than $45 billion by SFY 2005-06.

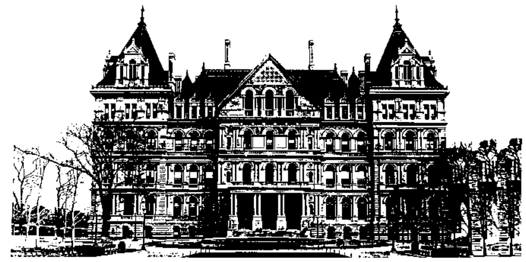
Building on the Senate recommendations, in July 2005, the Executive created a Medicaid Inspector General through Executive Order. Legislation was enacted in June 2006 creating the Office of Medicaid Inspector General and providing the Inspector General with the powers and duties necessary to successfully combat fraud in the Medicaid Program. These efforts to fight waste, fraud and abuse arose through Senate Majority efforts to protect taxpayers from a health financing system that was growing at more than two times the rate of inflation.

This Senate initiative has lead to significant improvements in the integrity of the Medicaid program. In fact, the Medicaid fraud legislation and its promise of greater recoupment of fraudulent payments, enabled New York State to negotiate with the Federal government for enhanced funding, through the Federal-State Health Reform Partnership (F-SHRP) demonstration program, of $1.5 billion over five years. As a result of the Medicaid Inspector General legislation, New York State was able to include increased fraud collection targets as one of the achieved goals necessary to receive the $1.5 billion in F-SHRP funds.

The Fraud collections target has increased from $75 million in State funds for SFY 2004-05 to a target of $430 million for SFY 2007-08. Current estimates indicate that the actual collections for SFY 2007-08 will be $505 million. Due to the success of this anti-fraud initiative, the SFY 2008-09 Executive Budget proposes to increase the fraud collections target to $590 million in State funds, or $190 million over the original SFY 2007-08 target.

The facts assert that the Senate Medicaid Reform Task Force recommendations served as the catalyst for statewide reform of the health care system and the solutions proposed by the Senate in 2003 are working today.

NEW YORK STATE COMMISSION ON PROPERTY TAX RELIEF



The Executive has created the New York State Property Tax Commission through Executive Order twenty-two. The Governor specifically cited in his 2008 State of the State address the need for a cap on school taxes, and has asked this Commission to develop a school tax cap proposal. The Governor stated he wanted the Commission to develop "a proposal for a fair and effective cap. . .". He went on to say; "A tax cap is a blunt instrument, but it forces hard choices and discipline when nothing else works".

The official focus of the Executive's Property Tax Commission will be to examine the root causes of high property taxes, identify ways to make the State's property tax system fairer, and develop a fair and effective school property tax cap to hold the line on property tax growth. The Commission will consist of seven members including the following appointees:

- The Commission will be chaired by Nassau County Executive Thomas R. Suozzi;
- Nicholas J. Pirro, former Onondaga County Executive;
- Paul A. Tokasz, former member of the New York State Assembly;
- Basil A. Paterson, former New York Secretary of State and former New York State Senator;
- Merryl H. Tisch, member, State Board of Regents;
- Shirley Strum Kenny, President, SUNY Stony Brook; and
- Michael Solomon, Director, Merrill Lynch & Co.

Under the Executive Order, the Commission will study, examine, investigate, review and make recommendations in the following areas:

- the root causes of New York's high property tax burden, including the expenditures of local governments and school districts, unfunded mandates imposed by the State, and other factors driving the growth of local property tax levies;
- the effectiveness of the various State mechanisms to provide property tax relief to different classes of taxpayers;
- the effectiveness of property tax caps as a mechanism to control growth in school district tax levies, the experience of other states in implementing such caps, and the potential impact of such caps on educational achievement;
- the most effective approach to imposing a limit on school property tax growth in New York State without adversely impacting the ability of school districts to provide a quality education to all schoolchildren;
- the impact of increased State financial support and State taxpayer relief and rebate

programs on local school district budgets and tax levies; and

- the extent of public involvement in the development and approval of school and other local government budgets.

While the Commission will be assisted by all agencies necessary, specifically the Governor's Executive order identifies the following State agencies that will help facilitate this critical investigation:

- The New York State Office of Real Property Services;

- The Governor's Office of Regulatory Reform;

- The New York State Division of Budget; and

- The New York Department of State.

The Commission is expected to make preliminary recommendations for a statutory school property tax cap by May 15, 2008, and report its final recommendations by December 1, 2008. John Reid, Deputy Director of State Operations and Executive Director of the Commission on Higher Education, will serve as Executive Director of the Commission.

The Commission also includes several special advisors:

- **Lisa Donner** is the founding Co-Director of the Center for Working Families.

- **Elizabeth Lynam** is the Deputy Research Director at the Citizens Budget Commission;

- **Karen Scharff** has served as the Executive Director of Citizen Action of New York since 1984; and

- **Robert B. Ward** is Deputy Director/Director of Fiscal Studies for the Nelson A. Rockefeller Institute of Government.

With Moreland Act powers, the Commission will have access to any and all information they seek to carry out their mandate, including subpoena power. The Executive Budget Proposal for the Executive Chamber budget includes an appropriation of $300,000 for the Moreland Act. The amount requested is unchanged from prior years.

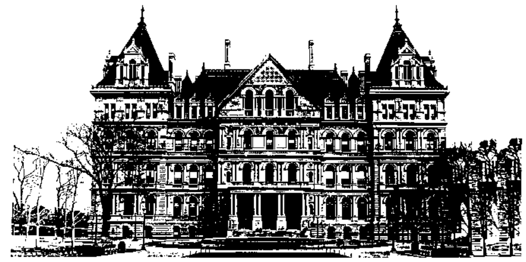
Senate Blue Ribbon Commission Proposal

The Senate Republicans passed measures as part of an omnibus property tax relief package, and through individual legislation (S.1052, Little) which called for a Blue Ribbon Commission to focus on the increasingly burdensome problem of property taxes.

The Senate Republican legislation (S.1052-Little) which passed in 2006 and 2007, established a Blue Ribbon Commission on Property Tax Reform. This Commission would examine and make recommendations on specific areas of reforms for local governments and school systems with the goal of reducing the property tax burden in New York State. The Commission would also be charged with examining possible alternatives to the real property tax for funding schools and changes to the property assessment system.

The Senate approach provided for an 11 member Commission, which would be comprised of three Executive appointments, three by the Senate Majority Leader, three by the Speaker, and one each by the respective Minority Leaders. Under the Senate Republican's legislation, the Commission would report on a reform plan for schools and local governments to lower local tax burdens with a focus on enhanced accountability, alternative financing methods, governance options, property assessment plans, and tax containment policies.

SENATE HIGH SPEED RAIL TASK FORCE



In June 2005, the Senate Majority established the New York State Senate High Speed Rail Task Force to address and remedy the declining status of passenger rail service in New York State while focusing on advancing the Upstate economy through sequential rail innovation. The Task Force's first assignment was to produce a feasible plan for passenger rail improvement and expansion statewide, and in January 2006, an Action Program for New York's rail future was presented to the Senate.

The *New York State Senate High Speed Rail Task Force Action Program: Connecting New York's Future* consists of service, facility and institutional improvements over the short, mid and long-term which are aimed at making intercity passenger rail travel more reliable and accessible along the 460-mile Empire Corridor from New York City to Buffalo. Improvements would occur in five incremental phases over ten years, with a total program cost of $1.8 billion. However, if New York State is able to secure a federal partnership, the actual cost to the State would be approximately $800 million. The final phase of the Action Program involves construction of a new rail route for provision of very high speed rail service with trains traveling at speeds of 150 to 200 miles per hour. This ambitious goal would require an additional ten plus years to complete and further investment of $10 billion.

While providing high speed rail service statewide by 2025 is the ultimate goal which would place Upstate New York at a distinct competitive advantage, it is the five phases laid out in Part One which enable the State to achieve that goal. Phases A through E encompass a ten year time frame (2006-2015) and would cost approximately $1.8 billion over that period. In the near term, repairing and enhancing existing rail infrastructure, and improving reliability are the primary goals. Over time, the focus turns to adding mainline track, revamping stations, updating rail cars and reducing travel time by increasing speed. All of these advancements will increase ridership and result in a rail system ready to transition to very high speed capability.

Following advancement of the Action Program in 2006, the Task Force sought to commence projects encompassed in **Phase A**. The Legislature included an additional $22 million in the SFY 2006-07 Adopted Budget to fund these projects yet due to various delays, plans for expenditure of the $22 million were not announced until September 2007. At that time, the Senate Majority detailed the projects to be accomplished in 2008. They include:

- Adding a fourth track at the Rensselaer Rail Station to increase train capacity, flexibility and reduce congestion; and demolishing the old rail station and improving parking at the Rensselaer Rail Station. Physical work is anticipated to begin by Summer 2008. ($10 million)

- Adding a low-level station platform with a pedestrian bridge and elevators at the Hudson Rail Station to allow both passenger and freight trains access through the Station without having to 'hold clear'. Plans for improvement are still under negotiation. ($6 million)

- Stabilizing unstable rock slope under the George Washington Bridge to improve safety and increase train speed as a result of the removal of the 'slow order' on this part of track. Construction is expected to begin in Spring 2008. ($4 million)

The Action Program calls for **Phase B** to begin in 2007 and continue through 2010. The total cost associated with this phase is $516 million. Phase B would focus on cutting the travel time between Albany and New York City to under two hours while increasing on-time performance to 80 percent or better and improving the frequency and capacity of express train service between the two cities.

Currently, the Task Force, in partnership with the Department of Transportation, is conducting a study to examine the lack of corridor-wide responsibility and to propose steps to achieving unified control. The issue of unified line control must be addressed as it is imperative to fulfilling the Task Force's vision of statewide high speed rail service. Significant State funding will most likely be needed to remedy this situation. The Task Force anticipates issuing preliminary study recommendations in March 2008.

In addition to beginning Phase B projects this year, the Task Force recommends establishing a daily express train service between Albany and New York City. This concept was first proposed in 2006, however, the service was not initiated. The express train would leave Albany at 7:40 AM and arrive in New York City at 9:50 AM. A return trip would depart New York City at 3:55 PM and arrive in Albany at 6:05 PM. The train would accommodate 230 passengers and provide food service. If operating funds for an express train demonstration are included in the SFY 2008-09 Adopted Budget, the service could commence by early 2009. This service would then be increased in subsequent phases.

The next three phases of the Action Program recommend the following activities:

Phase C (By 2013 - $407 million)

- Continue to improve on-time service in the Albany to New York City corridor, and across the State.
- Purchase twelve new train sets with more modern capabilities for faster speeds.
- Attain substantial service increases through improved rail equipment.
- Proceed with track and infrastructure improvements.

Phase D (By 2013 to 2015 - $412 million)

- Acquire two additional train sets.
- Establish three daily round trip *non-stop* express trains and 18 total daily round trip trains between Albany and New York City.
- Complete infrastructure and capacity improvements, bringing all tracks to a "state of good repair."
- Continue service improvements.

Phase E (By 2015 - $444 million)

- Improve parking and access at rail stations, and enhance ticketing and information systems.
- Establish 23 Albany to New York City round trips daily with five *non-stop* express trips.
- Buy six more train sets, bringing the total number of new tilting train sets to twenty.

- Achieve a level of 90 to 95 percent on-time performance for all trains.

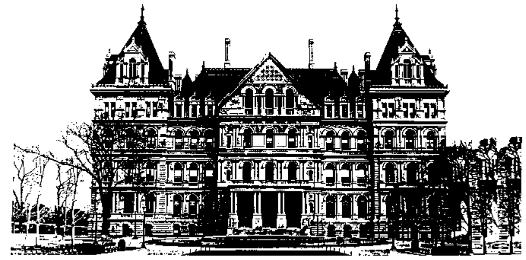
The Task Force's Action Program envisions an integrated statewide rail network accommodating both passenger and freight rail. Such a network will: assure New York State economic competitiveness in United States and international markets; move more goods and people; create new businesses and jobs; revitalize communities; and preserve the environment.

If New York State adheres to the recommendations laid out in Part One of the Task Force's Action Program, ridership is expected to grow by nearly three million riders annually in the Southern Corridor (Albany to New York City) and by nearly one million riders in the Western Corridor (Albany to Buffalo) by 2015. A more reliable and accessible rail system will encourage a greater range of mobility for New York's citizens, businesses and developers. The benefit of a user-friendly rail system is enormous and creates the opportunity for advancement of Part Two.

Part Two (By 2025 - $6.2 to $8.2 billion)

- Construct a very high speed rail line from New York City to Buffalo using a dedicated fixed guideway along the New York State Thruway.
- Achieve top speeds of 200 to 300 mph.
- Add new intracity lines in the Upstate New York Western Corridor.
- Consider the possibility of rail extensions and links from the Empire Corridor to Boston, Washington DC, Ohio, and Montreal, Canada.

IMPACT ON LOCAL GOVERNMENTS



The SFY 2008-09 Executive Budget proposals recommends approximately $2.1 billion in spending for all municipalities, including Medicaid Cap and Family Health Plus (FHP) items, except New York City (NYC), which is detailed separately. Local assistance payments to municipalities comprise over 70 percent of the State budget, and the aid increases are primarily allocated to education and local government assistance.

STAR

Although spending for the STAR Middle Class program is projected to grow by $123 million to $1.25 billion, this is primarily due to higher participation rates and in growth in the number of eligible recipients. The SFY 2008-09 Executive Budget proposes a one year delay of the scheduled increase for the Basic Middle Class STAR rebate for families, eliminating on average of $65 per recipient, for a savings of $169 million. Including the following proposed changes, **the Executive recommends $354 million of reductions in the Middle Class STAR Tax relief program:**

- Change the adjustment that limits annual reductions in STAR property exemption from five percent to ten percent, $110 million.
- Authorize the Department of Taxation and Finance to offset owed tax and other debts against STAR rebates Savings, $15 million.
- Postpone for one year the scheduled increase in the (NYC) personal income tax credit (PIT) of $40 million.
- Eliminate the STAR rebate credit for individuals earning more than $250,000, worth $20 million.

The Executive also recommends that the scheduled expansion of senior citizen rebate checks take place consistant with current law. The SFY 2008-09 Executive Budget provides total STAR Property Tax relief, rebates plus property exemptions, of $5 billion.

Economic Development

Included with the proposed $1billion dollars Upstate Revitalization Fund, the Executive's City-by-City initiative will provide $115 million to finance economic development projects. For further information on this proposal, consult the Issues In Focus section.

Education

The Executive proposes to cap the annual growth in local preschool special education costs for counties outside of New York City. Projected savings are $131 million to counties for their fiscal year 2009, with a projected $20 million in savings for SFY 2008-09.

Housing

The Executive recommends creating a new $400 million Housing Opportunity Fund, to develop three categories of housing; affordable, workforce and supportive. The Fund would be split, with $100 million for Upstate housing efforts and $300 million for Downstate housing efforts.

Local Government Assistance

The SFY 2008-09 Executive Budget includes the following major revenue sharing proposals – Aid and Incentives to Municipalities (AIM) in the amount of $945 million, including an additional $50 million targeted to fiscally distressed municipalities.

Consistent with SFY 2007-08 municipalities that receive less per capita aid than comparable peer municipalities are eligible to receive additional funds by an equity adjustment formula to correct longstanding variations in aid. This provides additional aidof nearly $6 million to 26 cities, towns and villages.

Based upon the level of fiscal distress, 17 municipalities received the maximum nine percent (AIM) increase, 18 municipalities received seven percent increases and 764 municipalities received a five percent increase.

(AIM) increases of three percent were provided to 744 municipalities that did not meet any fiscal distress criteria. Most municipalities qualifying for at least a five percent increase will again be required to meet (AIM) fiscal accountability requirements, including new for SFY 2008-09, the public release of web-based budgetary information and independent financial audits.

Current statute provides that (NYC) should receive $328 million in aid. The Executive however only provides $164 million. In addition, the Executive did not distribute the $20 million aid payment authorized for SFY 2007-08. The Executive is using that $20 million to partially finance this proposal. (Aid amounts for municipalities are available on the Senate Finance Committee website).

The Lead Based Paint Poisoning Prevention Program that was funded at $400,000 in SFY 2007-08 is proposed to be eliminated in SFY 2008-09.

The SFY 2008-09 Executive Budget proposes a new program of $25 million in financial incentives for municipalities to implement proposals of the Commission on Local Government Efficiency and Competitiveness. This initiative encourages cost savings through consolidation of operations and in the delivery of services, including sharing provision of highway services, procurement and real property assessment and billing services.

Mandate Relief

The SFY 2008-09 Executive Budget promotes the shared provision or procurement of services among similar or closely situated municipalities. Eligible items include public employee health care insurance and common procurement of regularly purchased materials and services, and permitting the use of posting and receiving competitive procurement bidding via the internet. The Wicks Law bidding requirements for construction contracts would be modified by increasing the current $50,000 threshold to $3 million for NYC $1.5 million for Nassau, Suffolk and Westchester Counties, and $500,000 in all other counties.

Public Protection

Operation Impact calls for the temporary re-deployment of up to 200 New State Police troopers from other assignments, by freeing up troopers principally from the School Resource Officer assignments and Video Lottery Units, into select local municipalities to concentrate crime fighting efforts to assist in making these communities safer and more secure. Currently there are no costs or savings estimates.

Healthcare

The Executive proposes to continue the Medicaid cap and the state takeover of Family Health Plus medical coverage which is scheduled to save counties $690.4 million in the upcoming year.

Video Lottery Terminal (VLT) Impact Aid

The SFY 2008-09 Executive Budget projects to redistribute revenue from (VLT) facilities according to a formula based upon the impact of certain expenses to local municipalities and the relative wealth of the respective municipalities. Total aid is approximately $34 million. The Executive proposes to freeze SFY 2008-09 payments to (VLT) facilities equal to the amounts of SFY 2007-08. For SFY 2009-10, the Executive proposes a 50 percent reduction in aid payments, except for Yonkers and New York City, which are scheduled to remain the same.

The Executive also proposes to dedicate the local share of receipts, 25 percent or approximately $1.2 million, from the Seneca Buffalo Creek Casino to the City of Buffalo.

IMPACT ON NEW YORK CITY

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Promises Deferred

The State's significant support to New York City has strengthened service responses for its population and underwritten major economic projects throughout the boroughs. The strong partnership between the State and City governments have aided New York City in achieving a strong economy, low crime rates, population and income growth, which is substantially above the State's average, and an overall high quality of life for New Yorkers.

New York State Investments in New York City

New York State provided New York City with **$2.7 billion in new assistance during City Fiscal Year (CFY) 2003-04** (plus a thirty year commitment of $170 million a year in transfer payments to allow New York City to decease its remaining $2.5 billion in Municipal Assistance Corporation debt), and **an additional $500 million in CFY 2004-05**. New State assistance rose by $**670 million in CFY 2005-06** (which included an unprecedented $323 million in new Education aid). **State support during CFY 2006-07 rose by over $1.2 billion,** highlighted by the cap on City Medicaid payments and the continuing State takeover of all costs for Family Health Plus. That year, the State also pledged an additional $6.5 billion over five years for school capital support. New York City received over 58 percent of all additional aid that has been added to the New York State budget from SFY 2002-03 through SFY 2006-07.

Despite significant Legislative restorations to proposed funding reductions, the SFY 2007-08 enacted budget reduced total State aid to NYC ($339 million) in areas outside of a substantial increase in State education support ($714 million in CFY 2007). NYC received 43.5 percent of all local government support increases in the SFY 2007-08 enacted budget.

State Economic Development Aid

Despite billions of State capital commitments for New York City, major restoration or expansion projects have been substantially delayed or cancelled. In December of 2007, the Executive announced the planned $1.8 billion expansion of the Javits Center was being scuttled in lieu of a proposed emergency rehabilitation effort of the existing inadequate structure. This action was taken despite the bonding of $700 million backed by revenues from a $1.50 per room hotel tax surcharge (approved specifically for and dedicated to the expansion) and an additional City and State capital commitment of $700 million. Progress at Ground Zero has been critically encumbered by delays in the demolition of the former Deutsche Bank building. No meaningful progress on the Atlantic Yards project, including the erection of a new arena for the NBA's Nets move to Brooklyn has been seen in the last thirteen months. The transformation of Moynihan Station has been repeatedly deferred. In addition, the redevelopment plans for Governor's Island have repeatedly been sent back to the drawing board.

The SFY 2008-09 Budget does propose a total of $25 million in new funds for Governor's and Roosevelt Islands, $20 million for the Hudson River Park and a commitment of an undetermined amount for the redevelopment of Moynihan Station and the creation of a subway station connected to the extension of the 7 line to the Far West Side. The Executive Budget also proposes a new $200 million Downstate Regional Revitalization Fund for projects approved at the sole discretion of the Empire State Development Corporation, but pledged to areas of New York City that have not benefited from recent economic expansions. It also includes $300 million in a new "off budget" (not subject to policy review, appropriation or public oversight) Housing Opportunity Fund. Another $30 million in proposed passenger rail enhancements and $143 million in various other capital projects bring the proposed capital program for New York City to $718 million.

The Executive plans to finance the new fund from a $100 million sweep from the State of New York Mortgage Agency's Mortgage Insurance Fund and the sale of all or part of the Jacob Javits Center. The Executive expects to realize $800 million to $900 million from this sale of New York City's Convention Center.

New York City CFY 2008-09 Proposed Budget

The recent years' strength of the New York City economy has slowed significantly. Wall Street profits, which were projected in June of last year to total $16.8 billion for calendar year 2007, are now estimated to only come in at $2.8 billion. The record spending increases and tax reductions of the last five years are now over. The budget presented by Mayor Bloomberg calls for only a 3.7 percent growth in spending (less than one percent in non-mandated costs). The Mayor is asking all agencies to realize an additional five percent savings by the end of CFY 2009-10. This includes departments such as education and the public safety agencies that have largely been exempted from earlier efficiencies. Although the $400 property tax rebate will be retained, and no major tax increases are proposed, the proposed City budget also does not contain any major new spending initiatives or tax reductions. The Mayor is also counting on the State to keep its pledged commitments to New York City and provide an additional $100 million in State support during CFY 2008-09.

IMPACT OF SFY 2008-09 EXECUTIVE BUDGET ON NYC

(millions of dollars)	SFY 2008-09
Net Impact	508.4

The SFY 2008-09 Executive Budget's proposed impact on New York City estimates a 2008-09 CFY year increase of $657.2 million. However, this figure is hundreds of millions below what was already authorized in statute.

The Division of the Budget estimates that the appropriation and Article VII legislation included in the SFY 2008-09 Executive Budget would, if approved by the Legislature, grant New York City 37.5 percent of all Local Aid increases in the SFY 2008-09 Executive Budget.

The major reductions in prior year commitments to New York City to be realized in CFY 2008-09 include a $175 million decrease in education aid, and more than halving New York City's unrestricted local aid from $327 million to $143.9 million.

Education

(Millions of Dollars)	SFY 2007-08
Net Impact	377

The SFY 2008-09 Executive Budget proposes a 9.35 percent increase in categorical school aid of $539 million for the 2007-08 school year. This proposed increase is only a partial realization of the commitment the State made last year to satisfy the State Court of Appeals' decision calling on New York State to supplement New York City's school aid. The Executive Budget also proposes various adjustments to commitments made last year for

STAR relief that will cost New York City taxpayers at least $60 million.

Health

(Millions of Dollars)	
	SFY 2008-09
Net Impact	19.4

The SFY 2008-09 Executive Budget proposes that the COLA provided for Early Intervention providers be eliminated which is estimated to reduce NYC spending by $17 million in CFY 2008-09.

New York City continues to benefit from the State takeover of the local share of Family Health Plus ($307.5 million in SFY 2008-09) and the Cap on the local share of Medicaid costs ($186 million in SFY 2008-09).

Tax and Miscellaneous Revenues

(Millions of Dollars)	
	SFY 2008-09
Net Impact	29.1

The SFY 2008-09 Executive Budget proposes to allow New York City to increase certain recording fees ($20.5 million in SFY 2008-09 -- $27.4 million for CFY 2008-09). New York City would receive an estimated $18.8 million in SFY 2008-09 by the State imposing sales taxes on various internet sales ($29.8 million in CFY 2008-09), and $600,000 during SFY and CFY 2008-09 in various small revenue measures.

These increases are offset by an administratively imposed increase in the charge that New York City pays for the State to administer its Personal Income Tax which will cost the City $10.4 million during SFY and CFY 2008-09. A $400,000 STAR administrative charge will be imposed on the City for SFY and CFY 2008-09.

Mandate Relief and Municipal Aid

(Millions of Dollars)	
	SFY 2008-09
Net Impact	156.6

The SFY 2008-09 Executive Budget proposes a $143.9 million payment to New York City in the Aid and Incentives for Municipalities (AIM) program, which is a $183 million reduction from what was pledged in the SFY 2007-08 Enacted Budget, which also called for a $20 million SFY 2007-08 AIM payment which the Executive books for SFY 2008-09. New York City will also be faced with a $20 million reduction in in-kind VLT payments during CFY 2008-09. Raising the Wicks thresholds from $50,000 to $3 million is estimated to provide $12.7 million in NYC budget relief during SFY 2008-09 ($16 million in CFY 2008-09).

Welfare

(Millions of Dollars)	
	SFY 2008-09
Net Impact	(60.5)

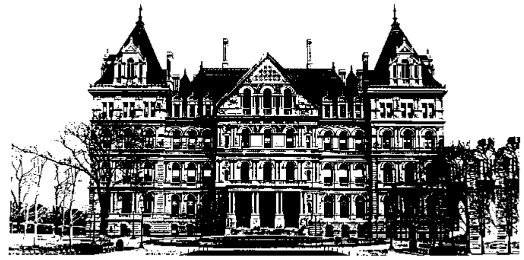
The SFY 2008-09 Executive Budget proposes to increase the local share for some Youth Detention Costs from 50 percent to 100 percent ($17.2 million), modify a local cost share for public assistance ($29.7 million), take the local share for Federal Savings derived from two parent safety net families ($5.3 million), enforce presumed adult shelter sanction costs ($6.0 million), restore enhanced special need shelter allowances ($1.7 million), and increase the maximum child support pass through disregard ($600,000). These measures are expected to increase City spending commitments by $63.8 million in CFY 2008-09.

Miscellaneous Measures

(Millions of Dollars)	SFY 2008-09
Net Impact	(13.2)

The SFY 2008-09 Executive Budget proposes to eliminate certain State reimbursements for Preschool Special Education costs ($21 million), increase certain transportation aid by $7.4 million, and provide $400,000 for various public protection measures. The Preschool Special Education reimbursement eliminations are estimated to have an additional $300,000 negative impact during CFY 2008-09.

PROPOSED PRISON AND YOUTH FACILITY CLOSURES



Proposed Prison Closures:

The Department of Correctional Services (DOCS) has announced its intention to close four correctional facilities. However, because section 79-a of the Correction Law requires one year notification, these facilities may not close prior to January 2009, one year from the date of announcement, in accordance with the Prison Notification Statue.

The SFY 2008-09 Executive Budget includes a proposal for the closure of three minimum security facilities: Camp Pharsalia located in Chenango County; the Camp at Mount McGregor located in Saratoga County; and Camp Gabriels located in Franklin County. In addition, the Executive proposes the closure of the Hudson Correctional Facility, a medium security facility located in Columbia County. The principal rationale for the closures is the declining prison population. Since 1999, the State's prison population has decreased from a high of almost 71,600 inmates to below 62,500, a decrease of 9,000 inmates. The Executive projects that the inmate population will continue to decline, by another 1,000 inmates by 2012.

The Executive anticipates that the closure of the four correctional facilities would generate operating savings of $10.4 million in SFY 2008-09, $33.5 million annually beginning in SFY 2009-10, and $28 million in capital savings. The Executive contends that these savings would help offset the estimated $90.6 million in expenditures that DOCS is required to provide for expanded treatment and other programs mandated by the Legislature for mentally ill inmates and incarcerated sex offenders.

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

SFY 2008-09 Executive Proposed Correctional Facility Closures – Employee Impact

Employee Impact:	Camp Pharsalia (Chenango)	Camp at Mt. McGregor (Saratoga)	Camp Gabriels (Franklin)	Hudson Medium (Columbia)	Total
Security	67	56	93	166	**382**
Program	11	2	12	23	**48**
Support	22	5	30	39	**96**
Health	1	3	3	8	**15**
Total	**101**	**66**	**138**	**236**	**541**

Note: The number of FTE associated with the proposed facilities for closure amounts to 541 with 36 staff reinvested at other facilities.

Prison Closure Cost/Savings SFY 2008-09/SFY 2009-10		
	Cost/Savings	
Facility	**SFY 2008-09**	**SFY 2009-10**
Camp Pharsalia	$1,800,000	$6,000,000
Camp at Mt. McGregor	$2,800,000	$4,200,000
Camp Gabriels	$1,100,000	$9,000,000
Hudson	$5,000,000	$15,700,000
Sub-Total	$10,700,000	$34,900,000
Less Reinvestment	(300,000)	(1,400,000)
Total	**$10,400,000**	**$33,500,000**
Note: the Hudson Work Release Program would continue to operate under the Executive plan.		

Prison Closure Capital Five-Year Cost/Savings	
Facility	**Capital Costs/Savings**
Camp Pharsalia	$900,000
Camp at Mt. McGregor	$200,000
Camp Gabriels	$5,175,000
Hudson	$21,775,000
Total	**$28,050,000**

SFY 2008-09 Executive Proposed Correctional Facility Closures - Capacity/Inmate Impact				
Facility	**County**	**Total Number of Beds**	**Total Number of Inmates**	**Capacity Level**
Camp Pharsalia	Chenango	258	165	63.95%
Camp at Mt. McGregor	Saratoga	300	156	52.00%
Camp Gabriel	Franklin	336	181	53.87%
Hudson	Columbia	422	414	98.10%
Source: Department of Correctional Services - Daily Population Capacity Report as of 1/15/08.				

One Year Notification Statute:

Section 79-a Notification Requirements:

- 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.

Section 79-b Adaptive Reuse Plan Requirements:

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

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

The intent of the Prison Notification and Adaptive Reuse Plan enacted by the Legislature was to give ample time for employees to either choose a different position within the system or relocate if necessary. In addition, the Adaptive Reuse Plan was intended to lessen the economic impact from the potential closure of any correctional facility.

According to DOCS, employees affected by the proposed prison closure would be afforded an opportunity to transfer to other facilities. In addition, DOCS is working with the Department of Civil Service to ensure that affected workers receive all available civil service preferences and services.

The Executive proposes to work with communities to reinvent their economies as part of the Executive's proposed Upstate Revitalization Initiative. However, under the Governor's plan at best only a small fraction of the $35 million would be reinvested in the respective regions. The following table lists the annual operating expenses in comparison to the proposed savings.

Annual Operating Costs of Proposed Prison Closures

Facility	Current Annual Operating Expenses	Proposed Operating Expenses	Proposed Savings
Camp Pharsalia	$6,000,000	$0	$6,000,000
Camp at Mt. McGregor*	$24,600,000	$20,400,000	$4,200,000
Camp Gabriels	$9,000,000	$0	$9,000,000
Hudson**	$18,400,000	$2,700,000	$15,700,000
Total	**$58,000,000**	**$23,100,000**	**$34,900,000**

Note: Total of $23.1 million is proposed from a portion of said facilities remaining open: $20.4 million is attributable to the medium security portion of Mt. McGregor; and $2.7 million for the Hudson Work Release Facility.

Youth Facility Closures:

Currently, there are 35 residential facilities in the State's juvenile justice system. The SFY 2008-09 Executive Budget proposes to close seven facilities and downsize another by 50 percent. The Executive's proposal would eliminate 241 beds from the juvenile justice system, and 254 jobs, of which 164 would be from upstate.

The Executive proposal is expected to save the State $3.4 million in SFY 2008-09, including fringe benefit costs from the eliminated jobs, growing to $16.3 million in SFY 2009-10, when fully annualized.

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

Recommended OCFS Youth Facility Closures/Downsizing Employment and Capacity Impact

Facility (County)	Positions Eliminated	Beds to be Closed	Population 1/14/08
Brace (Delaware)	25	25	5
Great Valley (Cattaraugus)	25	25	12
Auburn (Cayuga)	25	24	2
Adirondack Wilderness (Clinton)	25	25	15
Cass (Albany)	25	25	0
Pyramid (Bronx)	90	57	29
Gloversville (Fulton)	7	10	0
Lansing (Tompkins)	32	50	45
TOTAL	**254**	**241**	**108**

Recommended OCFS Youth Facility Closures/Downsizing Proposed Savings

	Savings ($000s)	
Facility (County)	**SFY 08-09**	**SFY 09-10**
Brace (Delaware)	410	1,969
Great Valley (Cattaraugus)	374	1,790
Auburn (Cayuga)	374	1,791
Adirondack Wilderness (Clinton)	336	1,612
Cass (Albany)	367	1,768
Pyramid (Bronx)	1,001	4,802
Gloversville (Fulton)	93	443
Lansing (Tompkins)	439	2,106
TOTAL	**3,394**	**16,281**

The Gloversville home has been vacant since April 2006. The Cass facility, which has been vacant since January 2007, will be closing in May 2008, and will be converted into a training center for the Office of Parks, Recreation and Historic Preservation (OPRHP). The remaining closures and downsizing would take place in January 2009. Aside from the Cass facility, and the Gloversville facility, which is leased from the Catholic Church, no alternative use plans are proposed for any of the other facilities slated for closure.

NEW YORK CITY TRAFFIC MITIGATION

Last April, Mayor Bloomberg proposed PlaNYC 2030, which is a comprehensive plan focused on New York City's growth, aging infrastructure and the environment. PlaNYC includes a three-year congestion pricing pilot program in the Manhattan Central Business District (CBD). Congestion pricing is the practice of charging drivers a user fee to travel into or within a congested area or zone during peak travel hours. The program's goal is to reduce traffic and encourage people to use alternatives to automobiles, while using the money collected to fund transit improvements. If the State Legislature authorizes a congestion pricing program that meets certain criteria, the federal government has agreed to contribute $354 million to defray the costs of implementation and enhanced transit service.

A December 2006 New York City Partnership Report estimated that excess congestion in New York City may cost regional businesses and consumers as much as $13 billion and 52,000 jobs per year. London adopted a congestion charge in 2003 which resulted in a 15-percent reduction in vehicles entering the center of the city, improved trip speeds and reliability, and reduced emissions of greenhouse gases, particulates, and other pollutants. Other cities that have successfully adopted congestion pricing include Singapore and Stockholm.

The Mayor's Plan

In order to improve public transportation, which is an important component of a congestion pricing plan, the Mayor proposed the creation of a new, independent Sustainable Mobility and Regional Transportation (SMART) Financing Authority. SMART would be authorized to finance public transportation projects through the sale of bonds backed by State, City and Congestion pricing revenues. The congestion pricing zone was defined as Manhattan south of 86th Street during weekdays from 6:00 AM to 6:00 PM. A system of cameras and EZ-Pass sensors would monitor vehicle license plates as they enter or travel within the designated zone. Vehicles would be charged varying fees for entering or driving inside the defined zone. The measurement used to determine success in congestion mitigation is vehicles miles traveled (VMT). The City determined that the plan would cut VMT down by 6.3 percent (revised to 6.7 percent in December). A detailed explanation of the Mayor's plan including congestion fees, estimated revenues and key elements is illustrated in the chart on the last page of this section.

Traffic Congestion Mitigation Commission

The New York State Legislature did not authorize congestion pricing in 2007, but instead passed legislation (Chapter 384 of the Laws of 2007) that created a 17-member New York City Traffic Congestion Mitigation Commission (TCMC) to review and study the Mayor's plan and alternative ways to mitigate traffic congestion. The Commission must vote on a final plan and submit it to the Governor, Legislature, Mayor and City Council by January 31 and the State Legislature must consider such plan by March 31.

As PlaNYC was not unveiled until April and the Legislative session ended in June, there was a concern that policymakers and the public did not have sufficient time to evaluate the Mayor's plan. Chapter 384 required that: the Metropolitan Transportation Authority (MTA) and New York State Department of Transportation (DOT) submit comments on the plan by October 1, 2007; the Commission review the plan and conduct public hearings; the Commission submit to the Governor, Legislature, Mayor and City Council an implementation plan by January 31, 2008; and, the State Legislature consider such plan by March 31, 2008. The recommended "implementation plan" voted on by the Commission must result in a reduction in vehicle miles traveled (VMT) of at least 6.3 percent – the same level of traffic mitigation that the PlaNYC proposal was projected to achieve, and the amount required in order to receive Federal funds. In addition, Chapter 384 required that DOT and the MTA submit new five-year capital plans by March 31, 2008 (one year earlier than scheduled).

Federal Grant Funds Requirements

The United States Department of Transportation (US DOT) on August 8, 2007 entered into an Urban Partnership Agreement (UPA) with the City and the State that would provide a total of $354.5 million in Federal grants for instituting congestion pricing and related transportation improvements. The Federal funding would help pay for a variety of public transportation projects, including $10.4 million for congestion pricing implementation costs. The release of funds is subject to the requirement that a congestion pricing plan be adopted by the State Legislature on or before April 8, 2008. Additional requirements of this agreement include: a 6.3 percent reduction in VMT using pricing as the principal mechanism; the congestion mitigation plan must be operative by no later than March 31, 2009; and, the City must commit $112.7 million for implementation costs and various bus service enhancements.

Related Transportation Improvements

As stated previously, the MTA and DOT were required to submit comments about the Mayor's plan to the Commission. The capital and operating expenses associated with transit improvements are not currently part of the MTA and DOT capital and operating budgets, but the City has proposed using congestion fee revenues for this purpose, and the UPA would also cover some of these costs.

The MTA estimated that if the congestion pricing pilot were implemented, it would need $446.6 million in capital investments through 2012 to meet anticipated increases in transit and commuter rail ridership. An additional $320 million would be needed if the program were made permanent. These capital costs include the purchase of additional local and express buses, bus depots, subway cars and station renovations, and suburban buses and park-and-ride lots. Operating costs for the additional transit service would be $368.6 million for the three-year pilot period (through March 2012).

The DOT would need $59.5 million in capital funds to improve non-MTA transit services including park-and-ride facilities, Intelligent Transportation Systems and data collection and analysis efforts. Operating needs would be $500,000 annually. In addition, DOT proposed a number of complementary initiatives, not strictly necessary for the Mayor's plan (e.g., traveler information services), which would bring the total capital costs and annual operating costs to $148.8 million and $17.8 million, respectively.

Commission Interim Report

After reviewing the Mayor's plan, the comments from MTA and DOT, and testimony from seven public hearings, the commission agreed on a research agenda of plan modifications, complements, and alternatives. The various options were evaluated on the following ten criteria established by the Commission: best practices, reduction of VMT, environmental improvements, mass transit revenues raised, impacts on neighborhoods such as parking, regional equity, privacy, implementation feasibility and economic impacts. In its interim report issued on January 10, 2008, the commission presented five alternative plans for further consideration, which are outlined in the chart below. As mentioned earlier, the Commission must vote on a final plan and submit it to the Governor, Legislature, Mayor and City Council by January 31 and the State Legislature must consider such plan by March 31. The alternative plans are presented on the next page.

Traffic Congestion Mitigation Fund

The SFY 2008-09 Executive Budget includes Article VII legislation that would create a separate MTA fund for any revenues it receives from a traffic congestion mitigation plan. The moneys in the account would be expended for uses and purposes outlined by subsequent legislation.

Comparison of Plans for Congestion Mitigation

Option	VMT Reduction	Capital Cost*	Annual Gross Revenue	Annual Operating Cost	Annual Net Revenue	Key Elements
		millions of dollars				
Mayor's Plan: Imposes fee to drive into, out of, or within congestion zone	6.7%	$224	$649	$229	$420	➢ Weekdays 6am-6pm ➢ Zone boundary at 86th St. ➢ $8 daily fee ➢ Fee charged both ways ➢ $4 intrazonal charge ➢ Peripheral trips free ➢ E-Zpass toll offset ➢ Neighborhood parking strategies (outside CBD)
Alternative Pricing Plan: Imposes fee to drive into congestion zone	6.8%	$73	$582	$62	$520	➢ Weekdays 6am-6pm ➢ Zone boundary at 60th St. ➢ $8 daily fee ➢ Fee for entry only ➢ Peripheral trips charged ➢ E-Zpass toll offset ➢ $1 non-E-Zpass surcharge ➢ $1 taxi/livery surcharge for trips below 60th St ➢ On-street meter parking rates increased ➢ Resident parking tax discount eliminated ➢ Neighborhood parking strategies (outside CBD)
Toll Plan: Imposes tolls on all crossings into Manhattan	7.0%	$67	$947	$88	$859	➢ 24 hours, 7 days ➢ Tolls on all East and Harlem River bridges ➢ $4 per-trip toll ➢ Toll charged both ways ➢ Neighborhood parking strategies (outside CBD)
Rationing Plan: Bans 20% of cars from entering congestion zone	10.3%	Cost varies with implementation plan. No revenue unless paired with new broad-based taxes.				➢ Weekdays 6am-6pm ➢ Zone boundary at 86th St. ➢ One in five vehicles is banned from entering the zone once every five days, depending on the license plate number. ➢ Neighborhood parking strategies (outside CBD)
Combination Plan: Increases cost of taxi trips and car parking in Manhattan	3.2%	NA	$660	low	$660	➢ $8 taxi surcharge for trips below 86th St ➢ On-street meter parking rates increased ➢ Resident parking tax discount (8%) eliminated ➢ Off-street parking tax increased from 18% to 38% in CBD ➢ Government parking placards reduced by 10,000 in the CBD ➢ $2 overnight parking fee in CBD ➢ Neighborhood parking strategies (outside CBD)

*This capital cost only includes the implementation expenses of congestion pricing and does not include costs associated with improved mass transit.

PARKS CAPITAL

One way New Yorkers and others enjoy New York's natural surroundings is through the vast State park system. The New York State Park system, administered by the Office of Parks, Recreation and Historic Preservation (OPRHP) is made up of 178 parks and 35 historic sites, with 325,000 acres of land and waters and park system facilities that are host to more than 55 million visitors annually. In addition, the State park systems includes golf courses, swimming pools, beaches, marinas, boat launching sites, nature centers, cabins, and campsites, 1,350 miles of trails, dams, bridges and hundreds of miles of roads. Over the last twelve years, the States Parks system has expanded by more than 25 percent, adding 66,000 acres and 26 new parks.

As a result of a recently published report on the state of the Park System, OPRHP has completed a comprehensive assessment of the capital needs of the park system. The assessment identified 750 critical capital projects with estimated costs ranging from $600 to $650 million, in four need categories; health and safety, rehabilitation of existing facilities; new facilities development; and natural resource stewardship.

The capital needs contained in the recent OPRHP assessment identified the need for significant financial support to implement the assessments recommendations. Over time OPRHP's budget has not kept pace with the expansion of the park system. In fact, the park system expanded from 184 sites in 1992, to 213 sites in 2008 with the lands and waters under OPRHP's stewardship increasing from 257,000 acres in 1992 to 326,000 acres in 2008. Yet during that period the capital expenditures for parks maintenance Statewide decreased from $60 million to $40 million annually from all sources, including State funds, Federal funds, mitigation funds and private contributions.

To strengthen OPRHP's park maintenance efforts, the SFY 2008-09 Executive Budget includes a recommendation for $100 million in new capital funding to support State parks revitalization efforts and protect New York's natural treasures. This funding is proposed as a component of the Executive's $1 billion Upstate Revitalization Package. Prior year appropriations for projects included in the Capital Program total $47.2 million and are derived from Federal funds, State funds, private gifts and grants and other redirected funding. The new funds will support improvements and rehabilitation of State parks, campgrounds, fairgrounds and historic sites. Among the new initiatives planned is a "Walkway over the Hudson", a project near Poughkeepsie that hopes to revitalize communities on both sides of the Hudson River.

Executive Proposes Nearly $7 Billion in Discretionary Appropriations

The Executive Budget for SFY 2008-09 includes over $6.825 billion in discretionary capital appropriations. In many of these instances, including capital projects for Higher Education and Economic Development, the Executive proposes that he be given sole **discretion to allocate** funds and select projects to fund after the budget has been enacted, **without Legislative oversight or public scrutiny**. Moreover, under the Governor's Budget Proposal, State agencies would be authorized to fund multimillion dollar capital construction projects and to **unilaterally** commit the State to funding commitments of 30 years or more without the public review and accountability that comes with an open budget process. The appropriation of large non-itemized lump sums contradicts the spirit of the 2007 Budget Reform Act which was crafted to provide transparency and accountability.

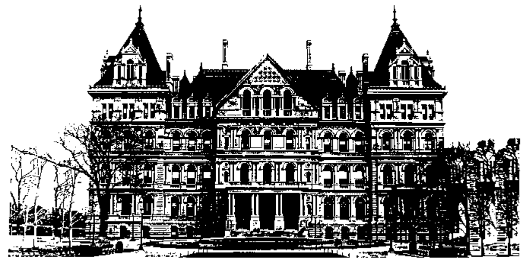
Budget reform has been a priority of the Senate Majority for over 20 years. In 2007 the Legislature passed and the Governor signed the Budget Reform Act of 2007, which was based on Senate Majority legislation. As part of the Budget Reform Act, the Legislature agreed to subject all funding added to the Executive Budget by the Legislature to public scrutiny. However, **the act did not go far enough in that it did not constrain the Executive's ability to propose lump sum appropriations**. The Senate Majority believes strongly in an open, transparent budget process and calls for a greater level of transparency to enable public scrutiny of and Legislative oversight over the allocation and spending of billions of dollars in lump sum non-itemized appropriations proposed by the Executive. Itemization in clear language is necessary to provide for a truly transparent budget process in SFY 2008-09.

HIGHER EDUCATION CAPITAL - The Executive proposed new capital plans for the State University of New York and the City University of New York totaling $9.3 billion over the five year term of the capital plan. **Prior year SUNY and CUNY capital plans list each campus and each project discreetly** within the Executive's proposed appropriation bills. The listing out of each project allows for the public to see and comment on the projects proposed, and facilitates the Legislature's constitutional responsibility to review proposed expenditures. This year, however, the Executive proposes $5.5 billion in lump sum appropriations for SUNY and CUNY (SUNY $3.8 billion CUNY $1.7 billion). These discretionary lump sum appropriations give little insight into what projects will be funded. **The Executive does propose a new board to select a portion of the capital projects to be funded. The process of how this new board will function is under review.**

ECONOMIC DEVELOPMENT - The Executive proposes funding of $1.3 billion for "economic development" discretionary lump sum capital programs. The funding includes $850 million for six new programs to be administered by the Empire State Development Corporation (ESDC). The new ESDC programs would distribute the capital funds mainly through the discretion of the public authority, with limited if any public scrutiny or legislative oversight. The funding would operate as a blank check for the public authority. Additional economic development capital funding is requested for Transportation ($60 million), Housing ($400 million), and the Office for Technology ($15 million).

Select Discretionary Capital Appropriations	
SUNY	$3.8 Billion
CUNY	$1.7 Billion
Upstate Regional Blueprint Fund	$350 million
Downstate Regional Revitalization Fund	$200 million
Upstate Agricultural Fund	$50 million
Arts and Cultural Fund	$40 million
Economic Community Fund	$60 million
Investment and Opportunity Fund	$150 million
Housing Fund	$400 million
Other	$75 million
TOTAL	**$6.825 Billion**

SFY 2007-08 Deficiency Bill



Along with the SFY 2008-09 Executive Budget, the Executive has submitted deficiency bills providing **$68.2 million** in All Funds appropriations, including **$61.2 million** in additional General Fund spending authority and **$4.4 million** in Capital Projects spending authority, to meet obligations in the current State Fiscal Year for which sufficient funding was not included in the SFY 2007-08 Enacted Budget. The deficiency bills include the following provisions:

Council on the Arts

A $2.6 million State Special Revenue deficiency appropriation for the New York State Theatre Institute Program (NYSTI) , to allow charges for retroactive and current-year fringe benefit and indirect costs for employees of NYSTI. The expenses are supported by revenues in the State Education Department's Cultural Education Account. NYSTI costs were shifted to this account in SFY 2005-06, but no appropriations for this purpose have been provided to date.

State Education Department

A $50.2 million General Fund deficiency appropriation for the State Education Department (SED) to cover projected shortfalls in funding for school districts claiming School Supportive Health Services.

Miscellaneous – All State Departments and Agencies

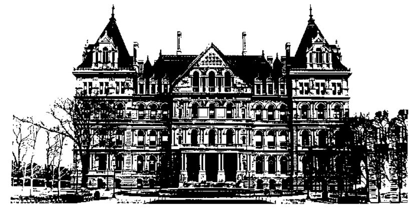
An $8 million General Fund deficiency appropriation for the ***Roosevelt School District*** to eliminate the currently estimated accumulated deficit amount.

Environmental Facilities Corporation

A $4.4 million Capital Projects Fund deficiency appropriation in a new Air Resources Program to fund the Environmental Farm Assistance and Resource Management (EFARM) Program. The program was originally charged to the 1996 Clean Water/Clean Air Bond Act, but such charges are no longer bondable under Debt Reform. All previous disbursements and current commitments will be charged to the proposed hard dollar deficiency appropriation.

Department of Transportation

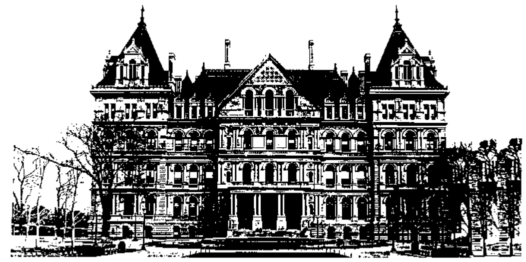
A separate language bill provides a $3 million General Fund transfer to the Mass Transportation Operating Assistance Fund , to fund SFY 2007-08 liabilities of upstate transit systems that exceeded budgeted resources.



SECTION THREE

EXPLANATION OF RECEIPTS

ECONOMIC OUTLOOK



The National Economy

Much of the public focus regarding the economy in 2007 was primarily on the housing market. The housing market served to slow the economy, not expand it, as it had done in previous years. The crisis in the housing market was further exacerbated by the collapse of the subprime mortgage market which, in turn, fueled rumors of a recession.

2007

During 2006, the housing market had cooled down as the Federal Reserve turned to a policy of monetary tightening to fend off inflation. The Federal Funds rate increased by 127 basis points to 5.25 percent by the beginning of 2007. The Federal Funds rate remained at 5.25 percent throughout the first half of the year.

Accompanying this increase in the Federal Funds rate was an increase in mortgage rates. As mortgage rates increased, so did the cost of owning a home. Home prices continued to drop in 2007 along with housing starts. The once lucrative home equity market dried up as refinancing opportunities disappeared.

Exacerbating the housing downturn was the scheduled resetting of adjustable rate

United States Economic Indicators

(Calendar Year Percent Change)

	2006	Preliminary 2007	Forecast 2008	Forecast 2009	Forecast 2010
Real GDP	2.9	2.2	2.2	2.9	3.0
Personal Income	6.6	6.2	5.3	6.0	6.0
Wages	6.2	5.8	4.8	5.7	5.6
Consumption	3.1	2.8	1.9	2.8	3.0
Pre-tax Corporate Profits	13.2	3.7	3.1	5.5	7.2
S&P 500	8.6	12.8	5.7	7.5	8.0
Consumer Price Index	3.2	2.9	2.7	2.2	2.3
Non-Agricultural Employment	1.9	1.3	1.0	1.2	1.3
Unemployment Rate	4.6	4.6	5.0	5.0	5.0

Source: NYS Division of the Budget

mortgages. Many homeowners had utilized mortgages with adjustable rates to allow them to either purchase a home or to purchase a larger home than they would have if they had used a conventional, fixed rate loan. The interest rates on these loans were extremely low from 2002 through 2005. However, those low interest rates were only applicable for a short period of time. These homeowners were now seeing the interest rates on their mortgages reset at significantly higher rates which significantly increased their mortgage payments. These higher interest rates combined with the use of creative financing mechanisms led to a high number of loan defaults and foreclosures.

By the end of the summer of 2007, the subprime mortgage market, the market primarily responsible for creative financing mechanisms for homebuyers with poor credit, collapsed. Soon after, many large national banks were recording huge losses as the result of holding securities backed by these subprime mortgages.

The stock market, as measured by the Dow Jones Industrial averages, reached record highs in the first half of 2007, topping 14,000. However, as the size and scope of the losses from the subprime mortgage market continued to grow, stock prices began to decline. In response to the “credit crunch” resulting from the collapse of the subprime market, the Federal Reserve cut the Federal Funds rate by 75 basis points through the end of the year and teamed with other central banks to inject liquidity into the global banking system.

Concurrent with the crisis in the housing market, the national economy was experiencing a slowdown. Real GDP for 2007 is estimated to be 2.2 percent, reflecting slower growth in almost all of its components. The major contributor to the slowdown in real GDP was the decline in residential fixed investment as a result of the poor housing market. This sector of the economy is estimated to have decreased by 16.6 percent.

Employment and wages continued to grow in 2007, increasing by 1.3 percent and 5.8 percent, respectively. This growth served to maintain growth in consumption by 2.8 percent, which was slightly slower than consumption growth of 3.1 percent in 2006.

Corporate profits slowed considerably in 2007; down from the double digit growth of the past five years. This decrease in profits led to slower growth in nonresidential fixed investment of 4.8 percent.

Buoying the economy was strong growth in exports, growing at eight percent. This strong growth is mainly attributable to the continued depreciation of the dollar in 2007.

2008

The state of the economy was tenuous at the end of 2007 and is expected to remain so for the first half of 2008. Whether the housing market has hit bottom and the subprime market collapse has ended will determine when and if the economy will speed up again in 2008.

According to the Executive, there will still be growth in all sectors of the economy except for the residential sector. No one sector will have a greater impact than the other. Corporate profits will continue to be sluggish, with growth of 3.1 percent, as profits in the financial sector continue to be a drag on this component.

Wages and employment are projected to grow at a slower pace, with an uptick in the unemployment rate from 4.6 percent to five percent. As a result, growth in consumption is only projected to be 1.9 percent.

With the expected continued weakness of the dollar, exports are projected to still be the shining star of the economy. Exports are projected to grow by a robust 8.2 percent in 2008.

As with any economic forecast, there are risks associated with the projections. The major risks to the Executive forecast are a continued decrease in house prices, larger losses from the financial sector as a result of the subprime mortgage market collapse, and inflation.

Continued decreases in home prices would serve to increase the number of foreclosures and dampen consumption. Larger than projected losses in the financial sector would affect overall corporate profit growth and growth in the financial markets

Inflation has already been a concern of the Federal Reserve in 2007. Unexpected growth in food and energy prices could push inflation out of the Federal Reserve's comfort zone of two percent. The Federal Reserve would then have no room to lower interest rates in order to strengthen the economy. Conversely, the Federal Reserve may be forced to raise interest rates; weakening the equity markets and delaying the recovery of the financial sector.

The New York State Economy

The New York State economy in 2007 did not suffer as much from the housing market downturn as other parts of the country. This is primarily attributable to the continued strength in the New York City housing market, as well as the commercial real estate market. In addition, the absence of a "bubble" in home prices in other parts of the State has served to dampen the effects of the housing downturn that other states such as California and Florida have experienced.

However, the collapse of the subprime mortgage market and its affect on the financial markets did have a larger impact upon the New York economy than elsewhere as a result of New York City being the financial capital of the world.

Prior to the collapse of the subprime market in the summer of 2007, the securities industry, was realizing strong growth. Stock market performance was strong along with growth in other profit making sectors such as Internal Public Offerings (IPO's.) However, this growth evaporated as large investment banks reported large losses as a result of mortgage backed securities. As a result, bonuses paid to employees in the industry are estimated to decrease by approximately three percent.

Due to the payment of bonuses in the first quarter of the succeeding calendar year, wages in 2007 grew by 7.6 percent, reflecting the record level of bonuses for 2006. This growth, in turn, fueled strong growth of 7.4 percent in personal income. For 2008, wage growth is projected to decrease significantly, to 3.3 percent, as a result of an estimated decrease in the amount of bonuses from 2007.

Due to the increasing dominance of service sector employment over manufacturing employment in New York, what happens in the national economy has a significant impact on New York's employment. The projected slowdown in business growth will translate into slower growth in New York. Personal income growth and employment growth are projected to slow to 4.3 percent and 0.6 percent, respectively. In turn, the unemployment rate in New York is projected to increase to 4.9 percent in 2008 from 4.4 percent in 2007.

However, similar to the effects at the national level, the depreciation of the dollar has helped buoy the New York economy. Not only are tourists going to New York City but, the border counties of the State have realized a greater influx of Canadian tourists and shoppers as the Canadian dollar has appreciated.

The risks to the State forecast are similar to those for the forecast for the national economy. Because the financial markets are centered in New York City, the fallout from the subprime market could have considerable negative effects with regards to both bonus payments and employment in the securities industry.

In addition, inflation could have an impact on the New York economy. If the Federal Reserve is forced to increase interest rates to stave off inflation, the impact on the equities market as well as the recovery of the financial markets would hinder economic growth in the State.

General Fund Receipts

(Millions of Dollars)

	Projected 2007-08	Proposed 2008-09	Change	Percent Change
Personal Income Tax				
Withholding	28,401	30,176	1,775	6.2%
Estimated Payments	11,697	12,527	830	7.1%
Final Returns	2,116	2,211	95	4.5%
Other Payments	909	947	38	4.2%
Gross Collections	43,123	45,861	2,738	6.3%
STAR Special Revenue Fund	(4,678)	(4,713)	(35)	0.7%
Refunds	(6,572)	(7,056)	(484)	7.4%
Revenue Bond Tax Fund	(9,138)	(9,701)	(563)	6.2%
Net Collections	22,735	24,391	1,656	7.3%
User Taxes and Fees				
Sales and Use	7,865	8,080	215	2.7%
Cigarette/Tobacco	407	437	30	7.4%
Motor Vehicle Fees	(21)	47	68	-323.8%
Alcoholic Beverage	252	268	16	6.3%
Total	8,503	8,832	329	3.9%
Business Taxes				
Corporate Franchise	3,575	4,138	563	15.7%
Corporate Utilities	618	589	(29)	-4.7%
Insurance	1,176	1,405	229	19.5%
Bank	931	942	11	1.2%
Petroleum Business	0	180	180	N/A
Total	6,300	7,254	954	15.1%
Other Taxes				
Estate and Gift	1,006	1,170	164	16.3%
Pari-mutuel	23	23	0	0.0%
Other	1	1	0	0.0%
Total	1,030	1,194	164	15.9%
Total Tax Collections	**38,568**	**41,671**	**3,103**	**8.0%**
Miscellaneous Receipts	2,444	2,238	(206)	-8.4%
Total Receipts	**41,012**	**43,909**	**2,897**	**7.1%**

All Funds Receipts

(Millions of Dollars)

	Projected 2007-08	Proposed 2008-09	Change	Percent Change
Personal Income Tax	36,551	38,805	2,254	6.2%
User Taxes and Fees				
Sales and use	11,199	11,505	306	2.7%
Motor vehicle	772	830	58	7.5%
Cigarette and tobacco	972	1,051	79	8.1%
Motor Fuel Tax	512	351	(161)	-31.4%
Alcoholic Beverage	252	268	16	6.3%
Highway Use tax	148	162	14	9.5%
Auto Rental Tax	49	51	2	4.1%
Total	13,904	14,218	314	2.3%
Business Taxes				
Corporation Franchise	4,106	4,745	639	15.6%
Corporation and Utilities	816	787	(29)	-3.6%
Insurance	1,292	1,555	263	20.4%
Bank Tax	1,094	1,096	2	0.2%
Petroleum Business	1,129	1,538	409	36.2%
Total	8,437	9,721	1,284	15.2%
Other Taxes				
Estate and Gift	1,006	1,170	164	16.3%
Real Estate Transfer	1,006	975	(31)	-3.1%
Pari-Mutuel	23	23	0	0.0%
Other	1	1	0	0.0%
Total	2,036	2,169	133	6.5%
Total Taxes	**60,928**	**64,913**	**3,985**	**6.5%**
Miscellaneous Receipts	20,067	21,310	1,243	6.2%
Total Receipts	**80,995**	**86,223**	**5,228**	**6.5%**
Federal Grants	35,841	36,883	1,042	2.9%
Total Receipts and Federal Grants	**116,836**	**123,106**	**6,270**	**5.4%**

Source: New York State Division of the Budget.

ALCOHOL BEVERAGE LICENSE FEES

(millions of dollars)						
		Projected	Forecast		20007-08 to 2008-09	2003-04 to 2008-09
	2003-04	2007-08	2008-09	Change	Percent Change	Average Annual Percent Change
General Fund	45	52	48	-4	(7.7%)	1.3%
All Fund	45	52	48	-4	(7.7%)	1.3%

Summary:

General Fund

New York State requires distillers, brewers, wholesalers, retailers, and others who sell alcoholic beverages to be licensed by the State Liquor Authority. Prior to SFY 1997-98, licensees were required to purchase a three year license. Legislation, which took effect on December 1, 1998, allowed licensees the option to purchase their licenses for a one, two or three year period. Legislation enacted in 2002 eliminated the two-year installment option and required two-year licensees to pay all fees upon renewal or initial application.

Special Revenue Funds

Collections from this fee do not flow to any special revenue funds.

Receipts:

Overall receipts for SFY 2008-09 are forecasted to decline by $3.5 million from SFY 2007-08. This decrease is attributed to the normal license renewal cycle. This is the second year in a row in which receipts decreased. However, in SFY 2006-07 a one-time deposit of internet license renewal receipts of $12.7 million along with higher than expected collections of fees contributes to an increase in receipts.

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ALCOHOLIC BEVERAGE TAX

(millions of dollars)

	2003-04	Projected 2007-08	Forecast 2008-09	Change	2007-08 to 2008-09 Percent Change	2003-04 to 2008-09 Average Annual Percent Change
General Fund	191	200	220	20	10%	2.9%
All Fund	191	200	220	20	10%	2.9%

General Fund

New York State imposes an excise tax on liquor, beer, wine and specialty alcoholic beverages. In addition, New York City imposes a tax on beer and wine which is administered by the State. The State and the City have suffered significant revenue losses due to bootlegging of alcoholic beverages from other states. Legislation enacted in 2002, and since extended until October 31, 2009, provides for increased penalties and enforcement activities designed to mitigate these revenue losses.

Special Revenue Funds

Collections from this tax do not flow to any special revenue funds.

Proposed Legislation:

The SFY 2008-09 Executive Budget proposal includes legislation to make permanent the increased penalties and enhanced enforcement tools for more efficient collection of alcohol beverage taxes. These provisions are scheduled to expire on October 31, 2009.

The SFY 2008-09 Executive Budget proposal includes legislation to make the seven day alcohol sales license permanent and remove related reporting requirements that are no longer necessary. The seven day alcohol sales provision is set to expire on May 15, 2008.

The SFY 2008-09 Executive Budget proposal includes legislation that would create a new classification for flavored malt beverages and impose the excise tax on this category at the low liquor tax rate. Flavored malt beverages would be taxed at the rate of $2.54 per gallon, increasing from the beer tax rate of 11 cents per gallon.

Receipts:

The majority of the estimated receipts, $168 million, are derived from the tax on liquor. Beer and wine will generate an estimated $38 million and $14 million in tax revenue, respectively. Based on recent trends, there is a projected increase of 10 percent in beer, wine, and liquor receipts.

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AUTO RENTAL TAX

	(millions of dollars)					
		Projected	Forecast		2007-08 to 2008-09	2003-04 to 2008-09
	2003-04	2007-08	2008-09	Change	Percent Change	Average Annual Percent Change
All Fund	39	49	51	2	4.3%	5.8%

General Fund

Collections from the auto rental fees are not deposited into the General Fund.

Special Revenue Funds

New York State imposes a five percent tax on the rental of passenger vehicles weighing less than 9,000 pounds and having seating capacity for nine or fewer passengers. All collections are deposited into the Dedicated Highway and Bridge Trust Fund.

Receipts:

Receipts from the auto rental tax are influenced by consumer and business spending on travel. It is estimated that receipts in SFY 2007-08 will increase by $2 million, which is consistent with the historical average rate of growth for the Auto Rental Tax.

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BANK TAX

	(millions of dollars)					
		Projected	Forecast		2007-08 to 2008-09	2003-04 to 2008-09
	2003-04	2007-08	2008-09	Change	Percent Change	Average Annual Percent Change
General Fund	286	931	942	11	1.2%	26.9%
All Fund	342	1,094	1,096	2	0.2%	21.2%

Summary:

General Fund

Under Article 32, New York State taxes banking corporations that conduct operations within the state. The bank tax is calculated as the greatest of four computations based on 7.1 percent of allocated net income before eligible credits and deductions, a 3 percent alternative minimum income, asset value, or a $250 minimum tax.

Special Revenue Funds

See the analysis of the Regional Business Tax Surcharge (MTA) within the Receipts section of this report.

Proposed Legislation:

The Executive proposes legislation that will require all captive REITs and captive RICs (In which NYS Banks or other corporations have over 50 percent ownership) to file a combined return with the closest corporation that directly or indirectly owns or controls them. This will allow the State to capture out of state REIT and RIC income.

The Executive also proposes to require bank taxpayers to use an increased percentage to compute the first installment of their business tax payment and Metropolitan Commuter Transportation (MCTD) surcharge. Banks who had a tax or MCTD surcharge for the preceding year, in excess of $100,000, must remit 30 percent (instead of 25 percent) of its preceding years banking corporation franchise tax or surcharge as its mandatory first installment. ($16 million revenue spin up for SFY 2008-09)

The Executive also proposes to extend the Metropolitan Commuter Transportation District (MCTD) surcharge for four additional years. The MTA surcharge is a 17 percent surcharge on the banks portion of liability allocated in the MCTD. The collections of this surcharge are deposited in the Mass Transportation Operating Assistance Fund (MTOAF).

The Executive further proposes legislation that will classify credit card companies doing a specified level of business in the State as taxpayers under Article 32 of the Tax Law. This will increase bank tax receipts by $95 million in SFY 2008-09.

Proposed legislation also creates a comprehensive program to encourage voluntary disclosure and to increase compliance with the Tax Law.

Receipts:

All fund receipts for SFY 2008-09 are projected to increase $2 million, to $1,096 million. The marginal increase is primarily driven by proposed legislation that would increase tax receipts by $136 million, with $25 million of the increase coming from enhanced audit and compliance. General Fund receipts are projected to increase by $11 million, or 1.2 percent, to $942 million. Other Fund receipts are projected to decline by $154 million because of a weak macroeconomic outlook.

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CIGARETTE AND TOBACCO TAX

	(millions of dollars)					
		Projected	Forecast		2007-08 to 2008-09	2003-04 to 2008-09
	2003-04	2007-08	2008-09	Change	Percent Change	Average Annual Percent Change
General Fund	419	407	437	30	7.4%	0.8%
All Fund	419	973	1,052	79	8.1%	20.2%

Summary:

General Fund

New York imposes an excise tax on cigarette and tobacco products sold and/or used within the State. As a result of the New York Health Care Reform Act of 2000 (HCRA), the tax rate on cigarettes increased on March 1, 2000 from 55 cents to $1.11 per pack, and then rose an additional .39 cents to $1.50 per pack. In addition, the Federal government imposes a tax that was increased from 24 cents to 39 cents per pack on January 1, 2002. Total State, City and Federal taxes per pack in New York City are now $3.39.

The State also imposes a tax on other tobacco products at a rate of 37 percent of wholesale price, and the Federal government imposes an excise tax on manufacturers and importers of tobacco products.

Special Revenue Funds

Beginning in SFY 2005-06, spending related to the Health Care Reform Act (HCRA) was included in the State's financial plan through special revenue funds. The cigarette tax distribution to HCRA is currently 61.22 percent.

<u>Proposed Legislation:</u>

The Executive proposes legislation that would amend the definition of "cigarette" for both New York State and New York City to include little cigars which are currently taxed under the "other tobacco products" rate. This proposal would increase receipts by $3.6 million in 2008-09.

The Executive proposes legislation that enhances compliance and enforcement of the tobacco products and cigarette taxes. This legislation would make it a violation for any person to knowingly sell cigarettes to agents who intend to sell unstamped or unlawfully stamped cigarettes. Penalties can result in the loss of licenses.

<u>Receipts:</u>

The implementation of the statute requiring that tax be collected on sales by Native Americans to non-Native Americans is expected to increase cigarette receipts by $93 million for SFY 2008-09. This legislation was enacted in 2005 and became effective March 1, 2006.

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CORPORATE FRANCHISE TAX

	2003-04	Projected 2007-08	Forecast 2008-09	Change	2007-08 to 2008-09 Percent Change	2003-04 to 2008-09 Average Annual Percent Change
(millions of dollars)						
General Fund	1,482	3,575	4,138	563	15.7%	22.8%
All Fund	1,700	4,106	4,745	639	15.6%	22.8%

Summary:

General Fund

The corporation franchise tax (Article 9-A) is levied on corporations doing business in New York. Historically, tax receipts have shown great fluctuation due to changes in profit rates, the relative strength of various sectors of the New York State economy and in the tax law. Since SFY 2002-03, revenues have rapidly grown due to increased profits and a series of measures adopted to limit firms' ability to shelter income from tax.

Legislation enacted in SFY 2007-08 resulted in a rate decline from 7.5 percent to 7.1 percent with further preferences for defined types of companies. However, several measures were also adopted, such as required combined reporting and the removal of many Real Estate Investment Trust preferences, which greatly increased many firms liability under the tax.

Article 9-A requires corporate taxpayers to be taxed under the highest of four alternative tax calculations. The four bases are:

1. Federal taxable income apportioned to New York State solely on sales. The resulting net taxable income is then taxed at 7.1 percent. Defined small businesses, manufacturers and high-technology firms are taxed at a lower 6.5 percent rate.

2. An alternative minimum taxable income base adjusted for certain net operating losses and specific economic development credits taxed at 1.5 percent.

3. A capital base at a rate of 0.178 percent of allocated business and investment capital with a maximum yearly tax of $1 million or $350,000 for manufacturers.

4. A fixed dollar minimum tax of between $100 and $1,500 based on the size of New York State corporate gross payroll.

In addition to the taxes paid under the four bases, firms paying under the Corporate Franchise Tax are liable to a tax of 0.9 mils of each dollar of subsidiary capital allocated to New York State.

Special Revenue Funds

Corporations doing business within the Metropolitan Commuter Transportation District pay a seventeen percent surcharge on modified Article 9-A receipts that is deposited into the Mass Transportation Operating Assistance Fund. For further details see the analysis of the Metropolitan Transportation Authority (MTA) Regional Business Tax Surcharge within the Receipts section.

Proposed Legislation:

The SFY 2008-09 Executive Budget proposes a series of measures designed to further increase the amount of corporate income liable to the tax including:

- Eliminating the maximum amount of tax calculated under the capital base, and reducing the rate from 0.178 percent to 0.15 percent. This measure would increase taxes by $98 million in SFY 2008-09.
- Change the fixed dollar minimum based on payrolls to a fixed dollar minimum based on gross receipts. This is combined with reforms to fees and assessments placed on partnerships and Limited Liability Companies and joint ventures. This measure will raise revenues by $75 million a year.
- Reduce credits available under the State's Brownfield Cleanup Program. The Executive will not place a fiscal impact on this proposal.
- Decouple from the Federal Qualified Production Activities Income deduction. The Federal deduction gives an income tax preference to manufacturers that is currently passed on to the State tax code. Removal of this deduction will increase taxes on the State's manufacturers by $56 million a year in SFY 2008-09 and growing to $74 million by SFY 2011-12.
- Make permanent the abusive tax shelter provisions scheduled to expire on July 1, 2009. This is estimated to increase State receipts by $17 million a year.
- Force corporations to combine report with a captive Real Estate Investment Trust or captive Regulated Investment Company (see Bank Tax section for further discussion).
- Reclassify for-profit health maintenance organizations from firms liable under Article 9-A to paying under the State's Insurance Tax.
- Change the mandatory first installment of tax due from 25 percent of the taxpayer's previous year liability to thirty percent. This would provide a one-time increase in State revenues of $64 million.
- Expand the cap under the Empire Film Credit from $60 million to $75 million, increase the credit rate from 10 percent to 15 percent, make the credit fully refundable in one year, and double the credit base. This will reduce State revenues by $15 million a year.
- Increase the low income housing credit by $4 million a year.

- Extend the Individuals with Disabilities - Accessible Taxicabs and Livery Service Vehicles credit for two additional years to December 31, 2010. This would provide an estimated $3 million a year in tax savings for two additional years.
- Extend the MTA surcharges for four more years. The surcharges are currently scheduled to sunset on December 31, 2009.

Receipts:

Receipts are estimated to increase by $639 million to $4.745 billion in SFY 2008-09 mainly due to the revenue measures enacted in SFY 2007-08 and more measures proposed in the SFY 2008-08 Executive Budget.

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CORPORATION AND UTILITIES TAXES

	(millions of dollars)					
		Projected	Forecast		2007-08 to 2008-09	2003-04 to 2008-09
	2003-04	2007-08	2008-09	Change	Percent Change	Average Annual Percent Change
General Fund	715	618	589	-29	-4.7%	-3.8%
All Fund	882	816	787	-29	-3.6%	-2.3%

Summary:

General Fund

The Article 9 Corporation and Utility Taxes are imposed on energy, telecommunications, agricultural cooperatives, and certain rail and trucking companies. Because of statutory changes enacted during the last ten years, charges on telecommunication companies rather than energy firms have become the primary source for Article 9 revenues. The Gross Receipt Tax on energy has been eliminated except for a two percent levy on transmission costs for residential customers. Another factor that substantially affected Article 9 revenues was the transfer of electric utilities from Article 9 to Article 9-A (the Corporate Franchise Tax).

Special Revenue Funds

Taxes collected under Sections 183 and 184 of Article 9 (the franchise tax and additional franchise tax on transportation and transmission companies) are dedicated to the Mass Transportation Operating Assistance Fund and the Dedicated Highway and Bridge Trust Fund. In addition, a 17 percent surcharge is placed on Article 9 receipts raised from within the Metropolitan Commuter Transportation District.

<u>Proposed Legislation:</u>

The following legislation proposed by in the SFY 2008-09 Executive Budget affect Corporation and Utilities Tax receipts:

- The Executive Budget would eliminate the Section 180 Domestic Corporations Organizational tax and reduce the Sections 181 Foreign Corporations license and maintenance tax. This will reduce receipts by $24 million annually.
- The first quarterly payment of estimated taxes liability would be raised from 25 percent to 30 percent of annual estimated liability. This proposal is estimated to produce a $5 million one time increase in revenues in SFY 2008-09.
- The MTA surcharge would be extended for four more years until December 31, 2013.
- Power for Jobs would be extended for one year until June 30, 2009. This

is expected to further reduce General Fund revenues by an estimated $15 million in SFY 2008-09. The State Fiscal Plan would recover $25 million of the total cost of the program via a payment from the New York Power Authority.

- The Executive proposes to authorize local governments to begin imposing and collecting a gross receipts tax on mobile phone services. This measure is expected to increase local taxes by an estimated $8.3 million a year

<u>Receipts:</u>

Receipts are estimated to decline $29 million from the previous year to $787 million.

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ESTATE AND GIFT TAXES

	(millions of dollars)					
		Projected	Forecast		2007-08 to 2008-09	2003-04 to 2008-09
	2003-04	2007-08	2008-09	Change	Percent Change	Average Annual Percent Change
General Fund	732	1,006	1,170	164	16.3%	59.8%
All Fund	732	1,006	1,170	164	16.3%	59.8%

Summary:

General Fund

As of February 1, 2000, New York's estate tax rate is equal to the maximum value of the Federal estate tax credit a person can take for state estate taxes paid. In addition, the amount of the State exemption was set to equal the amount of the Federal exemption; capped at $1 million. As such, New York estates with a value of $1 million or less owe no estate taxes. For those estates that exceed $1 million, the tax rate increases from 0.8 percent to 16.0 percent depending upon the value of the estate. The gift tax complemented the transfer tax on estates but was repealed as of January 1, 2000.

Special Revenue Funds

Collections from this tax are not deposited into any special revenue funds.

Receipts:

The amount of estate taxes collected in any fiscal year depends not only upon the state of the economy (i.e. stock market performance and housing market) but, the quantity of taxable estates which are classified by the amount of tax imposed. Small estates are those whose tax liability is less than $250,000; large estates incur tax liabilities between $250,000 and $4 million; extra-large estates incur tax liabilities from $4 million to $25 million; and super-large estates incur tax liabilities over $25 million.

Receipts from the estate tax are estimated to decrease by $57 million, 5.4 percent, in the current fiscal year. This decline is attributable to the slow down in the economy as well as the absence of any super-large estates. However, this decrease is mitigated by increased receipts from the other estate classes as follows: an increase of $76 million in receipts from small estates and an increase of $54.8 million in receipts from large estates.

In SFY 2008-09, estate tax receipts are projected to increase by $164 million, reflecting projected growth in the stock market as well as the housing market. Receipts from small estates are projected to increase by $39 million. Receipts from large estates, on the other hand, are projected to decline by $5 million as a result of a projected decline in the number of large estates. Receipts from estates in the extra-large and super-large classes are projected to increase by $130 million.

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HIGHWAY USE TAX

	(millions of dollars)				2007-08 to 2008-09	2003-04 to 2008-09
		Projected	Forecast			
	2003-04	2007-08	2008-09	Change	Percent Change	Average Annual Percent Change
All Fund	147	148	162	14	9.5%	2.0%

Summary:

General Fund

No collections from the Highway Use tax are deposited into the General Fund.

Special Revenue Funds

Commercial vehicles pay a tax for using New York State highways. The highway tax is comprised of three separate assessments: the truck mileage tax, highway registration fees, and the fuel use tax. All highway use tax receipts are deposited into the Dedicated Highway and Bridge Trust Fund.

The truck mileage tax is based upon the weight of the vehicle and the number of miles traveled on New York's highways. An additional supplemental tax is imposed at forty percent of the basic truck mileage tax.

The fuel use tax is imposed upon fuel that is purchased outside the State but consumed within New York. This tax is computed by taking the sum of the motor fuel tax rate and the sales tax rate set quarterly.

Highway registrations are required for vehicles subject to the highway use tax. Registrations are issued for a three year period at a fee of $15. This registration system was instituted during SFY 2007-08 due to the Federal Government outlawing the permit system the State previously had in place.

Proposed Legislation:

The SFY 2008-09 Executive Budget proposes to move the petroleum business carrier tax, which is the Petroleum Business Tax equivalent of the fuel use tax, into the fuel use tax. Distributions of funds from the fuel use tax would be adjusted to deposit 60 percent into the Dedicated Highway and Bridge Trust Fund and the remaining forty percent into the Dedicated Mass Transportation Fund. These percentages will hold the Funds harmless.

Receipts:

Total receipts are estimated to remain flat at $161.6 million for SFY 2008-09, an increase of $14.1 million over SFY 2007-08.

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INSURANCE TAXES

	(millions of dollars)					
		Projected	Forecast		2007-08 to 2008-09	2003-04 to 2008-09
	2003-04	2007-08	2008-09	Change	Percent Change	Average Annual Percent Change
General Fund	930	1,176	1,405	229	19.5%	8.6%
All Fund	1,031	1,292	1,555	263	20.4%	8.6%

Summary:

General Fund

Article 33 of the Tax Law, and the Insurance Law, imposes a franchise tax on insurance corporations who do business in New York and a tax on the value of premiums on policies in New York.

Special Revenue Funds

See the analysis of the Regional Business Tax Surcharge (MTA) within the Receipts section.

<u>Proposed Legislation:</u>

The Executive Budget proposes the reclassification of for-profit health maintenance organizations (HMOs) as taxed on a premiums basis as insurance corporations. Currently, HMOs are taxed as a corporate franchise on a profits-basis. Nonprofit HMOs are exempt from the tax. This bill will result in a net increase of $247 million in insurance tax receipts for SFY 2008-09.

The Executive also proposes to require Article 33 taxpayers to use an increased percentage to compute the first installment of their business tax payment and Metropolitan Commuter Transportation (MCTD) surcharge. Insurance companies who had a tax or MCTD surcharge for the preceding year, in excess of $100,000, must remit 30 percent (instead of 25 percent) of its preceding years insurance franchise tax as its mandatory first installment. The proposal will spin-up insurance tax receipts $10 million into SFY 2008-09.

The Executive also proposes to extend the Metropolitan Commuter Transportation District (MCTD) surcharge for four additional years. The MTA surcharge is a 17 percent surcharge on the insurance companies' portion of liability allocated in the MCTD. The collections of this surcharge are deposited in the Mass Transportation Operating Assistance Fund (MTOAF).

<u>Receipts:</u>

All Funds receipts for SFY 2008-09 are projected to be $1,555 million. This is an increase of $263 million, or 20.4 percent, above the SFY 2007-08 level. General Fund collections for SFY 2008-09 are projected to be $1,405 million, an increase of $229 million, or 19.5 percent above the SFY 2007-08 level. The $229 million increase in General Fund collections reflects the expected impact of Executive Budget legislative proposals described above. The increase is expected to be somewhat offset by a $15 million decline in non-audit receipts from the prior year.

The Other Funds balance is projected to be $150 million for SFY 2008-09. This is a $34 million increase over 2007-08. The $150 million increase is projected to come Executive Budget Tax and Revenue Increases.

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MOTOR FUEL TAX

		Projected	Forecast		2007-08 to 2008-09	2003-04 to 2008-09
(millions of dollars)	2003-04	2007-08	2008-09	Change	Percent Change	Average Annual Percent Change
All Fund	516	511	351	-160	-31.3%	-7.4%

Summary:

General Fund

No Motor Fuel Tax receipts are placed in the General Fund.

Special Revenue Funds

The Motor Fuel Tax is imposed upon the sale of gasoline and diesel motor fuel in New York State at a rate of eight cents per gallon. In order to enhance compliance, the tax is collected upon first importation into New York State and is subsequently passed on to the consumer.

Seventy-nine percent of receipts from the Motor Fuel Tax are deposited into the Dedicated Highway and Bridge Trust Fund and twenty-one percent into the Dedicated Mass Transportation Trust Fund.

Proposed Legislation:

The SFY 2008-09 Executive Budget proposes to repeal the motor fuel tax and fold it into the Petroleum Business Tax effective on December 1, 2008. The Petroleum Business tax rate would be increased the equivalent of eight cents a gallon to compensate for this repeal and these additional funds would be indexed annually beginning on December 1, 2008.

Receipts:

Receipts from the Motor Fuel Tax are projected to be $350.8 million, a decrease of $160.5 million. Absent the Article VII proposal to eliminate the tax, projected receipts would be projected to be $12 million higher than SFY 2007-08 or $523 million.

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MOTOR VEHICLE FEES

(millions of dollars)

	2003-04	Projected 2007-08	Forecast 2008-09	Change	2007-08 to 2008-09 Percent Change	2003-04 to 2008-09 Average Annual Percent Change
General Fund	82	(21)	47	68	323.8%	(10.5%)
All Fund	655	772	830	58	7.5%	4.8%

Summary:

General Fund

In SFY 08-09, 5.71 percent of Motor Vehicle Fees will be deposited into the General Fund.

Special Revenue Funds

The Dedicated Mass Transit Fund receives 22.6 percent of Motor Vehicle Fees; the Dedicated Highway and Bridge Trust Fund receive 67.6 percent. The remaining 5.1 percent flows into various Dedicated Funds.

Proposed Legislation:

The Executive is proposing a "Western Hemisphere Travel Initiative" (WHTI) program which charges an additional $20 fee for the purchase of a WHTI-compliant driver's license at the time of license renewal. A person who opts to purchase a WHTI-compliant driver's license prior to their renewal date will pay a $35 fee. This proposal will raise revenues by $52.5 million in SFY 2008-09.

Receipts:

Receipts for SFY 2008-09 are estimated to be $829.9 million, a 7.5 percent increase over SFY 2007-08, of which $389.7 million of the receipts are estimated to come from vehicle registrations and $440.2 million from license applications and other fees. In SFY 2007-08, a $21 million deficit existed in the General Fund. This deficit was due to General Fund revenue being reallocated to cover a revenue shortfall experienced in the Dedicated Funds.

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OTHER TAXES

	(thousands of dollars)					
		Projected	Forecast		2007-08 to 2008-09	2003-04 to 2008-09
	2003-04	2007-08	2008-09	Change	Percent Change	Average Annual Percent Change
General Fund	570	700	700	0	0	4.2%
All Fund	570	700	700	0	0	4.2%

Summary:

General Fund

This category includes the 4 percent admissions tax placed on racetracks and simulcast theaters and the 3 percent tax imposed on gross receipts of boxing and wrestling events and exhibitions held in New York State. Year to year revenue collections have historically shown great fluctuations due to one or two high-profile boxing events that generate large incomes. Additionally, some racing facilities have eliminated admission charges due to increased competition from video lottery terminals.

Special Revenue Funds

Collections from this tax do not flow to any special revenue funds.

Racing Admission Tax: The historical pattern of declining attendance at New York State racing and simulcast locations has stabilized due to the increased daily attendance and extension of the Saratoga event.

Boxing and Wrestling Exhibition Tax: On October 1, 1999, the tax rate on these events was reduced from 5.5 percent to 3 percent of gross receipts and a cap was placed on per event taxes to encourage more events to be held in New York State.

Receipts:

Revenues, paid attendance and the number of boxing and wrestling exhibitions are expected to remain level consistent with SFY 2007-08.

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PARI-MUTUEL TAXES

	(thousands of dollars)					
		Projected	Forecast	2007-08 to 2008-09		2003-04 to 2008-09
	2003-04	2007-08	2008-09	Change	Percent Change	Average Annual Percent Change
General Fund	27,489	23,000	23,000	0	0	-3.5%
All Fund	27,489	23,000	23,000	0	0	-3.5%

Summary:

General Fund

Pari-Mutuel receipts have been declining steadily over the years due to competition from nearby casinos and the growth of other gaming venues such as video lottery terminals thereby resulting in a reduction of handle and attendance at on and off track betting locations (OTB's). Additionally, the expansion of out-of-state simulcasting to New York racetracks and off-track betting facilities has also shifted wagers to the simulcast events, which is typically taxed at a lower rate than most on track wagers.

Special Revenue Funds

Collections from this tax do not flow to any special revenue funds.

Receipts:

Included in total collections are receipts from the thoroughbred handle ($8.2 million), harness racing handle ($0.7 million) and the Off Track Betting handle ($14.1 million).

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PERSONAL INCOME TAX

	(millions of dollars)					
		Projected	Forecast		2007-08 to 2008-09	2003-04 to 2008-09
	2003-04	2007-08	2008-09	Change	Percent Change	Average Annual Percent Change
General Fund	16,371	22,735	24,391	1,656	7.3%	8.3%
All Fund	24,647	36,551	38,805	2,254	6.2%	11.5%

Summary:

General Fund

The personal income tax, New York's largest source of revenue, accounts for almost 60 percent of General Fund receipts. The tax is imposed at a graduated rate (from 4 percent to 6.85 percent) on a taxpayer's taxable income: adjusted gross income less deductions. Following closely to the Federal definitions of adjusted gross income, New York's adjusted gross income is comprised of five major components: wages, capital gains, interest and dividends, taxable pensions, and business and partnership income. Similar to the Federal income tax, taxpayers are allowed to either itemize their deductions which are also closely aligned with Federal deductions or to take the standard deduction which ranges from $3,000 to $15,000 depending on the type of filer.

Special Revenue Funds

As part of the STAR program enacted in 1998, a portion of personal income tax receipts is dedicated to a special revenue fund, the School Tax Relief (STAR) Fund, in order to reimburse localities for lost school tax revenues resulting from the program.

In addition, 25 percent of personal income tax revenues, net of refunds, are deposited into a debt service fund, the Revenue Bond Tax Fund, to pay the debt service on the State's personal income tax revenue bonds. Deposits in this fund in excess of the required debt service are then transferred back to the General Fund.

<u>Proposed Legislation:</u>

- The Executive proposes to extend the credit for bioheat used for residential space heating or hot water production for four years. The credit was originally enacted in SFY 2006-07 but, expired on June 30, 2007. An extension of the credit was passed by both houses of the Legislature in 2007 but was vetoed by the Executive. This proposal would save taxpayers approximately $1 million in SFY 2009-10.

- The Executive proposes restructuring the LLC/Partnership filing fee from the current $50 per member fee to a fee based upon the company's New York income. This proposal would increase personal income tax receipts by $30 million in SFY 2007-08.

- The Executive proposes to require nonresidents to report the gain on the sale of an interest in a partnership, LLC, or S-corporation as New York source income if the sale of such interest entails the sale of real property. This proposal would increase revenues by $10 million in SFY 2009-10.

- The Executive proposes to amend the definition of a New York State resident to include those taxpayers who are living in a foreign country for at least 450 days but whose spouses and/or minor children are living in New York for more than 90 days. This proposal would increase revenues by $5 million in SFY 2009-10.

- The Executive proposes to allow the Tax Department to recoup any fees imposed by the federal government or other states to "intercept" the tax refunds paid by these entities to taxpayers who owe outstanding New York State taxes. This proposal would increase revenues by $7.5 million in SFY 2008-09.

- The Executive proposes to allow the Tax Department to "intercept" STAR rebates in order to pay outstanding taxes. This proposal would increase receipts by $15 million in SFY 2008-09.

- The Executive proposes delaying the increases in the Middle Class STAR rebates for one year. This proposal would decrease the deposit to the STAR fund by $169 million in SFY 2008-09.

- The Executive proposes delaying the increases in the New York City STAR credit for one year and to eliminate the credit for those taxpayers with incomes over $250,000. This proposal would decrease the deposit in the STAR fund by $60 million in SFY 2008-09.

Receipts:

Reflecting the slowdown in the economy in the latter half of 2007 and for the first half of 2008, growth in the components of income subject to the personal income tax is projected to slow considerably. This is especially apparent in the growth of capital gains. After double digit increases for each of the past five years, capital gains are projected to grow by only 1.7 percent in 2008. Wages, the major component of income, are projected to increase by 3.3 percent; down from the 7.6 percent growth in 2007 which was attributable to the large bonus payments made in the first quarter of the year. The other components of income are projected to increase by 3.7 percent.

In addition to the components of adjusted gross income that make up the base of the personal income tax, actual tax collections are comprised of a number of components: withholding, estimated payments, final returns, and delinquent collections which are subsequently reduced by refunds. Of these components, the most significant is withholding. Withholding accounts for approximately 66 percent of personal income tax collections. For SFY 2007-08, withholding is estimated to increase by $1,599 million, 6 percent, from SFY 2006-07. This increase reflects the continued strong wage growth in 2007. Withholding is projected to increase in SFY 2008-09 by $1,775 million, or approximately 6.2 percent due to a continued, albeit slower wage growth and a projected rebound in bonus income.

The amount of refunds paid to taxpayers negatively affects income tax collections. Refunds are impacted by the number and type of deductions and credits a taxpayer is allowed to claim. In SFY 2007-08 refunds are estimated to increase by $1,062 million, or 19.3 percent. This increase in refunds is primarily attributable to the impact of the Empire State Child Tax Credit that was enacted in SFY 2006-07. Refunds in SFY 2008-09 are projected to increase by $484 million, or 7.4 percent, due to the Executive's decision to increase the amount of refunds to be paid in the January to March period from $1.5 billion to $1.75 billion as well as increased refunds being claimed as a result of the economic slowdown.

In SFY 2008-09, All Funds net personal income tax receipts are projected to increase by 6.2 percent, from $36.6 billion to $38.8 billion. SFY 2008-09 General Fund income tax collections are projected to increase by $1,656 million from $22.7 billion to $24.4 billion mainly due to the projected economic growth for the latter half of the fiscal year and the proposals to increase revenues.

The deposit to the STAR fund is projected to increase by only $34 million from $4.68 billion to $4.71 billion. This small increase in attributable to the Executive’s proposals to amend the STAR program as mentioned above.

Deposits into the Revenue Bond Tax Fund are projected to increase by $563 million, from $9.14 billion to $9.7 billion. This increase is due to the projected increase in tax collections resulting from economic growth.

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PETROLEUM BUSINESS TAXES

	(millions of dollars)					
		Projected	Forecast		2007-08 to 2008-09	2003-04 to 2008-09
	2003-04	2007-08	2008-09	Change	Percent Change	Average Annual Percent Change
General Fund	0	0	180	180	N.A.	N.A.
All Fund	1,052	1,129	1,538	409	36.2%	7.9%

Summary:

General Fund

At present, all Petroleum Business Taxes are deposited into dedicated special revenue funds.

Special Revenue Funds

Petroleum Business Taxes (PBT) are imposed on petroleum related businesses doing business in New York State. PBT tax rates are annually indexed to the refined petroleum products component of the Produce Price Index. However, rates cannot rise or fall more than five percent in a single year. PBT rates increased five percent on January 1, 2007, and declined 1.2 percent on January 1, 2008. It is anticipated that PBT rates will rise another 5 percent on December 1, 2008.

The Mass Transportation Operating Assistance Fund receives 12 percent of PBT receipts. 32.6 percent of the PBT is deposited into the Dedicated Mass Transportation Trust Funds, and the balance of 55.4 percent is placed in the Dedicated Highway and Bridge Trust Fund.

Proposed Legislation:

The SFY 2008-09 Executive Budget proposes two changes affecting the PBT. The first proposal would combine the PBT, the Motor Fuel Excise Tax and sales taxes on fuel into one rate under the PBT. The general Fund and all dedicated Transportation funds that currently receive money from the three taxes would continue to receive amounts comparable to current law. Distribution will show a slight increase due to the indexing of the tax rate. The previous caps on Sales and Motor Fuels Taxes would be eliminated and the new business use tax base would be indexed in the same manner as the existing PBT. This larger index base is estimated to increase State fuel taxes by $13.2 million in SFY 2008-09 and $55.9 million in SFY 2009-10.

The second proposal attempts to clarify that the Commissioner of Tax and Finance has the right and authority to use remote vehicle identification technologies to identify potential sources of fuel bootlegging and tax avoidance. This proposal is estimated to increase revenues by $7.5 million in SFY 2008-09 and $15 million each year thereafter

Receipts:

Receipts from assessments on gasoline are estimated to bring in $1.275 billion in SFY 2008-09, an increase of $349.2 million from SFY 2007-08. Diesel motor fuels collections are estimated to rise $55.6 million to $189.8 million and all other fuels are expected to rise $3.7 million to $73.8 million.

The Mass Transportation Operating Assistance Fund is estimated to receive $142.7 million, $415.9 million is expected for the Dedicated Mass Transportation Trust Fund, $798.8 million will be deposited in the Dedicated Highway and Bridge Trust Fund, and the balance of $180.4 million will be placed in the general fund. $24 million of the PBT is estimated to come from increased enforcement on sales to non Native American residents taking place on New York State contained reservations.

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REAL ESTATE TRANSFER TAX

	(millions of dollars)					
		Projected	Forecast		2007-08 to 2008-09	2003-04 to 2008-09
	2003-04	2007-08	2008-09	Change	Percent Change	Average Annual Percent Change
All Fund	509	1,006	975	-31	(3.1%)	13.9%

Summary:

General Fund

None of the collections from this tax are deposited into the General Fund.

Special Revenue Funds

In 1968, the real estate transfer tax was enacted. It imposed a tax of $4 for every $1,000 of consideration on each conveyance of real property. Real Estate Investment Trusts (REITs) are taxed $2 for each $1,000 of consideration. In 1990, an additional real estate transfer tax, the "Mansion Tax," was imposed at a rate of one percent on residential property transfers valued at $1 million or more.

Receipts:

In SFY 2007-08, $212 million of tax receipts will be deposited in the Environmental Protection Fund. For SFY 2008-09, the statutory amount of tax receipt deposits will be $237 million. The remainder, estimated at $794 million in SFY 2007-08 and $738 million in SFY 2008-09, will be deposited in the Clean Water/Clean Air Bond Debt Service Fund.

The projected $31 million decrease in All Funds receipts for SFY 2008-09 reflects the volatile nature and dependence upon the vitality of the commercial real estate market, as well as a projected decrease in New York housing starts and the median sales price of a home.

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REGIONAL BUSINESS TAX SURCHARGE (MTA)

	(millions of dollars)					
		Projected	Forecast		2007-08 to 2008-09	2003-04 to 2008-09
	2003-04	2007-08	2008-09	Change	Percent Change	Average Annual Percent Change
All Funds	484	923	1,024	101	10.9%	16.2%

Summary:

General Fund

All of the MTA tax surcharge collections are deposited into dedicated funds.

Special Revenue Funds

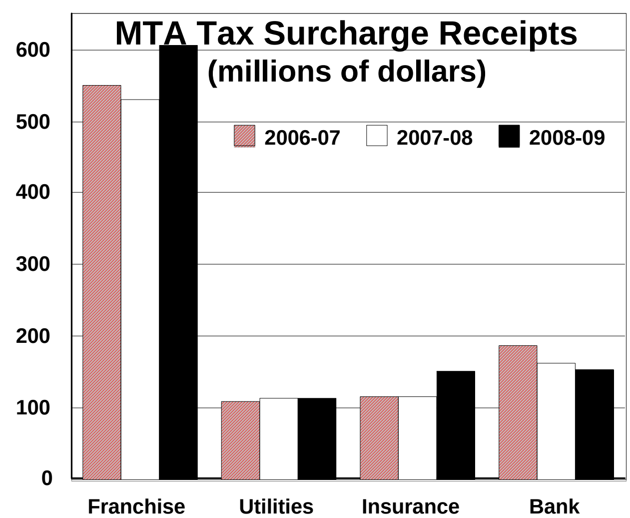
The MTA surcharge was instituted in 1982 to provide a dedicated source of financing for the New York City Metropolitan Mass Transportation System. This 17 percent surcharge is imposed on the portion of the State's business taxes (Corporate Franchise, Corporation and Utilities, Bank and Insurance) allocated to the Metropolitan Commuter Transportation District. Corporate Franchise tax filers pay the 17 percent surcharge based on the tax rates that were in effect on July, 1, 1997. Even though it is referred to as an MTA surcharge, a small portion of the receipts collected are directed to other transportation systems such as Westchester Bus, Suffolk Transit and Long Island Bus.

Proposed Legislation:

The budget proposes a four year extension of the 17 percent temporary tax surcharge which is scheduled to sunset for taxable years ending on or before December 31, 2009.

Receipts:

Receipts for SFY 2008-09 are expected to increase by $101 million. This increase results from tax increases proposed in the Executive Budget as well as a spin-up of first quarter tax payments into SFY 2008-09.



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SALES AND USE TAX

	(millions of dollars)					
		Projected	Forecast		2007-08 to 2008-09	2003-04 to 2008-09
	2003-04	2007-08	2008-09	Change	Percent Change	Average Annual Percent Change
General Fund	7,241	7,865	8,080	215	2.7%	2.2%
All Fund	9,907	11,199	11,505	306	2.7%	3.0%

Summary:

General Fund

The sales and use tax is imposed upon the sale of tangible personal property and certain enumerated services in the State. As such, the sales and use tax is the second largest revenue source for the State, behind the personal income tax.

Special Revenue Funds

To pay the debt service on bonds issued by the Local Government Assistance Corporation (LGAC), one-fourth of the State's sales tax is deposited to the Local Government Assistance Tax Fund. Receipts in excess of debt service costs are subsequently transferred back to the General Fund. In addition, a sales tax of 0.375 percent is imposed within the counties comprising the Metropolitan Commuter Transportation District. Receipts from this sales tax are deposited to the Mass Transportation Operating Assistance Fund.

Proposed Legislation:

The SFY 2008-09 Executive Budget proposal includes several pieces of legislation which affect the sales tax. The Executive Budget proposes:

- Requiring all sales tax vendors in the state to re-register and pay a **new** $50 registration fee which would then be paid every three years thereafter: generates $12.2 million in SFY 08-09 and $36.9 million in SFY 09-10.
- Requiring all non-profit tax-exempt organizations to collect sales tax at online stores or auctions as would any "brick and mortar" store by changing the definition of "shop or store" to include online stores, mail order, rentals or auctions: generates $15 million annually.
- Requiring businesses that own planes, vessels or motor vehicles purchased out of state, but used in state for employees, affiliates, partners or stock holders to be charged a use tax: generates $4 million in SFY 08-09 and $6.3 million in SFY 09-10.
- Repealing the credit card bad debt refund provisions, enacted in 2006, which currently allows lenders issuing credit cards on behalf of New York State vendors to apply for a refund for sales taxes paid on debts that have been deemed uncollectable: generates $9 million annually.
- Redefining "vendor" to include internet retailers that actively encourage web site owners residing in New York to advertise for the retailer in return for a commission on sales that result from the followed link. If New York commissioned sales are more than $10,000 annually the internet retailer is "presumed" to be doing business in New York and will therefore have to charge a

sales tax on all sales into the state: generates $73 million annually.

- Requiring a tax stamp for marijuana and controlled substances acquired or possessed in this state. The bill also creates an array of civil penalties, jeopardy tax assessments and criminal sanctions for holding unstamped product. This stamping scheme is a way for New York State to gain tax revenues/penalties from the illegal enterprise of illicit drug sales and use. The tax stamp provisions do not lessen any current criminal penalties for possessing or selling these substances: generates $17 million annually.

- Repealing the sales tax on motor fuel and diesel and folding the tax amount into the petroleum business tax. This is part of a larger initiative to combine the state motor fuel excise tax, state sales tax and local sales tax into the petroleum business tax (PBT). While initially maintaining the tax rate equal to the combined total of all these taxes and maintaining the current dedicated funds, General Fund and local sales tax distributions, the combined PBT would be indexed each year with changes in the producer price index for petroleum products. Currently the sales tax on gas and the motor fuel excise tax are fixed and do not increase with increasing prices as the PBT does: This will reduce sales tax receipts by $172.7 million in SFY 08-09 and $526 million in SFY 09-10 (transferred into the PBT). The indexing will increase the sales tax by $7.7 million in SFY 08-09.

- Creates a “permanent amnesty” program through a new Article 36 which would waive penalties, criminal sanctions and offer payment options for those people that report past tax deficiencies under a variety of taxes. The amnesty has conditions of future tax reporting conduct, and also has increased penalties for tax preparers that knowingly participate or encourage false or fraudulent returns. As is done with child support enforcement, this provision also requires financial institutions to perform data matches to identify funds of tax debtors by Tax and Finance to acquire these funds to satisfy tax debts. Additionally, the Executive proposal would require that any written notice sent to a taxpayer by the Department of Tax and Finance imposing a penalty for fraud would be forced to proceed directly to the Division of Tax Appeals (i.e. removes any other avenues for tax conciliation or mediation), and if found guilty all the pleadings and arguments would be made public. Finally, the provisions would change the location of all tax crimes proceedings by the State to Albany County and increases the criminal penalties to reflect the size of the taxes in dispute. These provisions effect several State taxes: sales tax impact is $30 million in SFY 2008-09.

- Continuing the New York City 4 percent sales tax when the MAC Bond sales tax expires in July 2008.

<u>Receipts:</u>

All Funds receipts for SFY 2008-09 are estimated to increase by $306 million over the previous fiscal year reflecting tax increases and enhanced enforcement powers and penalties. Increased receipts include $21.8 million proposed collections from Non-native Americans on Native American reservations offset by $172.7 million for losses from switching motor fuel and diesel fuel sales taxes to the petroleum business tax.

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MISCELLANEOUS RECEIPTS

	(millions of dollars)					
		Projected	Forecast		2007-08 to 2008-09	2003-04 to 2008-09
	2003-04	2007-08	2008-09	Change	Percent Change	Average Annual Percent Change
General Fund	5,926	2,444	2,238	-205	(8.4%)	(17.7%)
All Fund	19,750	20,067	21,310	1,243	6.2%	1.5%

Summary:

General Fund

Miscellaneous Receipts cover a wide range of unrelated revenue sources. Recurring income sources include abandoned property, investment earnings, fees and transfers of funds from other State entities. Additional revenues are derived from licenses, fines and various reimbursements to the State's General Fund. Revenues often fluctuate greatly from year to year due to nonrecurring income and fund captures, although greater stability has been realized in recent years.

Special Revenue Funds

Miscellaneous Receipts that are deposited to special revenue funds include: State University of New York (SUNY) tuition, lottery receipts for education, programs funded by Health Care Reform Act (HCRA), assessments on regulated industries and various other fees and licenses. These funds are dedicated to support specific programs, capital spending and debt service.

<u>Proposed Legislation:</u>

The Executive Budget proposes to increase the maximum Food Safety Penalties from $300 to $1,000 for the first violation and from $600 to $2,000 for each subsequent violation. This will generate $1.2 million in revenue for the General Fund in SFY 2008-09.

The Executive Budget proposes to increase the maximum fines and penalties for various Insurance Law Violations. This will add $1 million in revenue to the General Fund in SFY 2008-09.

The Executive Budget proposes a fee on Office of General Services (OGSs) purchases from centralized contracting. This fee would be paid by those entities who benefit from these centralized OGS contracts. OGS is able to get better prices on goods through large purchase orders and is able to save administrative cost through centralized contracting. The fee would be one half of one percent of the invoice value and raise $8 million in SFY 2008-2009 and $20 million annualized when fully effective.

The Executive Budget proposes a $25 million transfer from the Power

Authority of the State of New York relating to the Power for Jobs Program for SFY 2008-09.

Receipts:

In SFY 2008-09, General Fund revenues are expected to decrease $206 million, to $2.238 billion. The decrease in deposits to the General Fund is a result of the loss of one-time revenues, the large decline in power for jobs revenue, and reduced receipts from abandoned property and indirect cost. Proposed fee increases to the General Fund are expected to total $37 million in SFY 2008-09.

HCRA funded programs were included on budget for the first time in SFY 2005-06 and contributed to an unusually large increase in deposits. In SFY 2008-09, HCRA deposits are expected to account for $4.3 billion of deposits into Special Revenue Funds. Total Miscellaneous Receipts deposited into Special Revenue Funds are projected to increase by $562 million in SFY 2008-09. Proposed fee increases to Special Revenue Funds for SFY 2008-09 are expected to be $937 million.

Senate Finance Contact:
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Statutory and Administrative Fee Increases

SFY 2008-09 Executive Budget

(thousands of dollars)

Administrative Fee Increases

Fee	Effective Date	Current Fee	Proposed Fee	Last Changed	SFY 2008-09	Full Annual Impact
General Fund						
Department of Taxation and Finance						
Eliminate NYC Fringe/Indirect Waiver	4/1/2008	N/A	N/A	N/A	$10,025	$10,025
Special Revenue Funds						
Energy Research and Development Agency						
Increase ERDA Assessment	4/1/2008	N/A	N/A	2007	$2,400	$2,400
State Education Department						
Increase State Records Center Storage Fee	4/1/2009	Various	2.9	1987	$0	$525
Administrative Fee Increases Total					**$12,425**	**$12,950**

General Fund Fee Increases

Fee	Effective Date	Current Fee	Proposed Fee	Last Changed	SFY 2008-09	Full Annual Impact
Agriculture and Markets						
Increase Food Safety Penalties	4/1/2008	$300 and $600	$1,000 and $2,000	1990	$1,200	$1,200
Civil Service						
Reimbursement for NYC Plan Review	8/1/2008	N/A	N/A	N/A	$550	$550
Insurance						
Violation of Insurance Law	4/1/2008	500	10000	1966	$90	$90
Failure to File Annual Statement	4/1/2008	250	500	1979	$5	$5
Failure to Respond to Special report	4/1/2008	500	1000	1997	$5	$5
Failure to Comply with Reporting Requirements of the Financial Security Act	4/1/2008	500	1000	1998	$5	$5
Doing Insurance Business Without a License	4/1/2008	1000	10000	1970	$90	$90
Violation of Section 1222	4/1/2008	N/A	10000	N/A	$90	$90
Violation of Insurance Law Article 15	4/1/2008	500	1000	1969	$1	$1
Doing Business as Agent, Broker, Adjuster or Reinsurance Intermediary without a license	4/1/2008	5000	10000	1976	$90	$90
Act as Agent for Unauthorized Insurer	4/1/2008	500	10000	1939	$90	$90
Penalty in Lieu of Revocation of License Issued under Article 21	4/1/2008	500	5000	1958	$20	$20
Violation of Article 23, Prior Approval not Required	4/1/2008	1000	5000	1975	$20	$20
Violation of Article 23, Prior Approval Required	4/1/2008	25	100	1939	$1	$1
Violation of Article 2324	4/1/2008	500	1000	1939	$4	$4
Unfair Methods of Competition, Power of the Superintendent	4/1/2008	500	1000	1997	$4	$4
Violation of Prompt Pay	4/1/2008	500	1000	1997	$4	$4
Failure to Comply with Workers' Compensation Law	4/1/2008	2500	10000	1944	$90	$90
Violation of Holocaust Insurance Act	4/1/2008	1000	2000	1998	$5	$5

(thousands of dollars)						
Fee	Effective Date	Current Fee	Proposed Fee	Last Changed	SFY 2008-09	Full Annual Impact
Violation of Section 3216	4/1/2008	100	5000	1951	$20	$20
Violation of Section 3224	4/1/2008	N/A	1000	N/A	$5	$5
Inspection and Coverage of Physical Damage for Private Passenger Auto	4/1/2008	500	5000	1984	$20	$20
Gap Insurance, Failure to Notify Lessee or Debtor	4/1/2008	500	1000	1995	$5	$5
Violation of Section 4224	4/1/2008	N/A	5000	N/A	$20	$20
Violation of Section 4228	4/1/2008	1000	10000	1997	$90	$90
Violation of Section 4241	4/1/2008	1000	5000	1952	$20	$20
Willful Failure to Comply with Article 44	4/1/2008	2500	10000	1956	$90	$90
Failure to File per Section 4504	4/1/2008	500	10000	1961	$90	$90
Violation of Section 4228	4/1/2008	1000	2000	1997	$5	$5
Soliciting Membership in Unauthorized Societies	4/1/2008	100	1000	1939	$5	$5
False Statements Filed with MVAIC	4/1/2008	500	1000	1958	$5	$5
Violation of Section 6409	4/1/2008	1000	2000	1975	$5	$5
Alternate Penalty that can be Leveled Under Section 7711	4/1/2008	100	1000	1985	$5	$5
Failure to Comply with Reporting Requirements or Payments Listed in Section 9109b	4/1/2008	100	500	1968	$1	$1
Office of General Services						
Contract/Vendor Service Fee	4/1/2008	0	0.5% of invoice value	N/A	$8,000	$20,000
Department of Taxation and Finance						
Federal/Other State Refund Offsets Fee		0	22		$1,300	$1,300
General Fund Fees Total					**$12,050**	**$24,050**

Special Revenue and Capital Fund Fee Increases

Division of Budget						
Include IDA's in Cost Recovery Billings	4/1/2008	N/A	N/A	N/A	$5,000	$5,000
Raise cost Recovery Cap to $50 million	4/1/2008	N/A	N/A	2003	$10,000	$10,000
Division of Military and Naval Affairs						
Power Plant Assessment	4/1/2008	N/A	N/A	N/A	$11,700	$11,700
Department of Health						
Increases Fines Dedicated to Patient Safety	4/1/2008	Up to $2000	Up to $10,000	1990	$500	$550
Increase Covered Lives Assessment on Insurers from $850m to $990m	4/1/2008	N/A	N/A	N/A	$140,000	$140,000
CLEP Specialist Certification Program	4/1/2008	N/A	N/A	N/A	$420	$420
CLEP Waived Testing Limited Laboratory Registration Program	4/1/2008	N/A	200	N/A	$400	$400

(thousands of dollars)						
Fee	Effective Date	Current Fee	Proposed Fee	Last Changed	SFY 2008-09	Full Annual Impact
Department of Environmental Conservation						
Increase Operating Permit Program	4/1/2008	45	80	1999	$19,000	$19,000
Expand Bottle Bill to Cover Additional Beverage Containers	4/1/2008	N/A	N/A	N/A	$25,000	$100,000
Department of Labor						
SERB Arbitration Fee	10/1/2008	0	1500	N/A	$225	$450
Office of Real Property Tax Services						
Real Property Transfer Fee	4/1/2008	$50 Co-op, $75 Residential, $165 Commercial	Banded, $75-$400 Residential, $165 - $575 Commercial	2005	$21,500	$31,500
Department of Transportation						
Motor Vehicle Law Enforcement and Highway Safety Fee	7/1/2008	0	10	N/A	$96,800	$129,000
State Police Department						
Motor Vehicle Law Enforcement fee changed to Motor Vehicle Law Enforcement and Highway Safety Fee	7/1/2008	5	10	2003	$48,400	$64,500
Office for Technology						
Close Prepaid Wireless Loophole	4/1/2008	N/A	N/A	N/A	$5,000	$12,000
Department of Motor Vehicles						
Western Hemisphere Travel Initiative	9/1/2008	0	20	N/A	$52,527	$10,150
Special Revenue Fees Total					**$424,772**	**$522,970**

Other Revenue Sources

Housing and Community Renwal						
SONYMA Excess Balance	4/1/2008	N/A	N/A	N/A	$100,000	$0
Division of Lottery						
Extend Quick Draw, Eliminate Restrictions	4/1/2008	N/A	N/A	N/A	$36,000	$60,000
Department of Taxation and Finance						
Improve Audit and Compliance Efforts	1/1/2008	N/A	N/A	N/A	$230,000	$230,000
Extend Seven day Liquor Sales	9/1/2008	N/A	N/A	N/A	$0	$0
License/Reader Enforcement	9/1/2008	N/A	N/A	N/A	$7,500	$15,000
Modify Prepayment Requirements	1/1/2008				$95,000	$0
Voluntary Disclosure and Compliance creating new penalties	4/1/2008				$50,000	$0
Increase penalties for selling unstamped cigarettes and change procedures and penalties for tax fraud cases					$10,000	$10,000
Give Department complete authorization to determine e-filing requirements					$6,300	$6,300
Other Revenue Sources Total					**$534,800**	**$321,300**

Summary of Statutory and Administrative Tax and Fee Increases

SFY 2008-09 Executive Budget

(thousands of dollars)

	SFY 2008-09	Full Annual Impact
Administrative Fee Increases Total	$12,425	$12,950
General Fund Fee Increases Total	$12,050	$24,050
Special Revenue and Capital Fund Fee Increases Total	$424,772	$522,970
Fee Increases Grand Total	**$449,247**	**$559,970**
Tax Revenue Increase Total (See Table in Executive Summary Section for Details)	$1,071,500	$1,095,900
Tax Cut Renewals Denial Total	$35,200	$75,200
Sub-Total Tax and Fee Increases	**$1,555,947**	**$1,731,070**
Other Revenue Sources	$534,800	$321,300
Grand Total Revenue Increases	**$2,090,747**	**$2,052,370**

LOTTERY

	(millions of dollars)					
		Projected	Forecast		2006-07 to 2008-09	2003-04 to 2008-09
	2003-04	2007-08	2008-09	Change	Percent Change	Average Annual Percent Change
All Fund	1,897	2,592	2,953	361	13.9%	9.3%

Summary:

Special Revenue Funds

The New York State Lottery is an independent division of the Department of Taxation and Finance. It was established in 1966 as a result of a voter referendum. The purpose of the Lottery is to raise revenues for education in the State of New York through the sale of Lottery products. The six basic game types include:

- Instant scratch-off games;
- Pari-mutuel numbers games with drawings conducted nine times per week and payouts are based upon sales;
- Twice daily fixed payout games ("Numbers" and Win-4");
- Nightly "Pick 10" which allows patrons to choose ten numbers from a field of eighty and "Quick Draw" consisting of an on-line game drawn every four minutes;
- "Mega Millions" which is a multi-jurisdictional game in which the Lottery participates with Georgia, Illinois, Massachusetts, Maryland, Michigan, New Jersey, Ohio, Texas, Virginia, Washington and California where the game has a pari-mutuel payout for the first prize and fixed payouts for lower tier prizes; and
- Video Lottery games offered at various racetracks throughout the State.

Net proceeds resulting from gross sales less payout from prize awards, range from a low of 40 percent for Lotto and Instant Win to 92 percent for Video Lottery games. These revenues are deposited in Special Revenue Fund accounts to support the Division of Lottery and education programs of the State.

Proposed Legislation/Article VII:

The Executive has proposed legislation to permanently extend the Division of Lottery's authority to operate Quick Draw, presently scheduled to sunset on May 31, 2008 and eliminate the restrictions on the Game relating to food sales, hours of operation and the size of the facility, as well as, authorizing video lottery gaming at Belmont Park and increasing the current commission rate at Aqueduct to 32 percent of net machine income. Additionally the Executive Budget proposes to "privatize" portions of the Lottery to fund a Higher Education Endowment; however the Executive does not provide details on the privatization plan.

Receipts:

Gross Lottery receipts are expected to exceed $7 billion for traditional Lottery Games in SFY 2008-09, an increase of $453 million over SFY 2007-08. The Executive estimates that net traditional Lottery revenue will increase by 3.4 percent in SFY 2008-09 while total net receipts for education are projected at $2.8 billion for SFY 2008-09.

VLT revenues are expected to grow by $39 million or 8 percent in SFY 2008-09 over the previous period. Additionally, the Executive includes a one-time $250 million for the sale of Belmont's development rights within VLT revenue projections.

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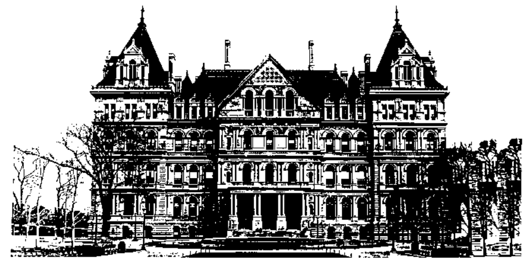
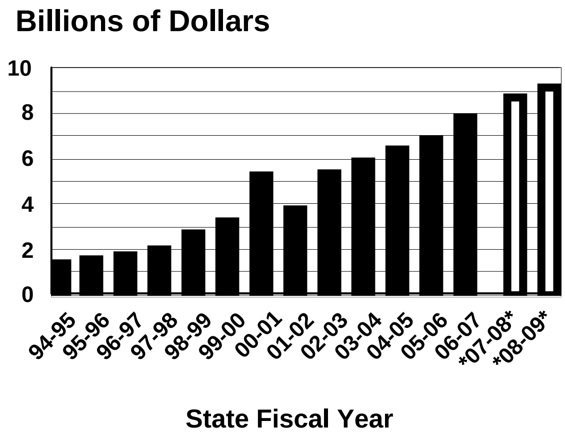
DEDICATED FUNDS



Dedicated Fund Receipts (Millions of Dollars)		
	Estimated SFY 07-08	Projected SFY 08-09
Gross Fund Dedication	20,112	20,820
Transfers Back to General Fund	11,414	11,698
Net Dedicated Receipts	8,698	9,122
Annual Growth Rate	11.2%	4.9%
5 Year Average Growth		9.1%



At present, eight major funds receive a growing portion of dedicated revenues that were previously available for General Fund purposes. These dedicated funds fall under three general categories: Special Revenue, Debt Service, and Capital Projects funds. The eight major dedicated funds and the years when they began receiving contributions are:

- Mass Transit Operating Assistance Fund (MTOA) -- 1981
- Dedicated Mass Transportation Trust Fund -- SFY 1993-94
- Dedicated Highway and Bridge Trust Fund -- SFY 1993-94
- Environmental Protection Fund (EPF) -- 1994-95
- Local Government Assistance Tax Fund (LGATF) -- 1990-91
- Clean Water/Clean Air Bond Fund -- 1997-98
- School Tax Relief Fund (STAR) -- SFY 1998-99
- Revenue Bond Tax Fund (RBTF) -- SFY 2002-03.

Prior to 1990, only the Mass Transit Operating Assistance Fund (MTOA) received contributions from specific statutory revenues as well as diverted General Fund resources.

Receipts not needed for the statutory requirements of each dedicated fund are transferred back to the General Fund. Of the $20.8 billion estimated to be dedicated in SFY 2008-09, over $9.1 billion will be spent and $11.7 billion will be transferred back to the General Fund.

The table on the following page outlines the growth in dedicated fund revenues had from SFY 2004-05 through SFY 2008-09. A brief summary description of these funds follows.

Selected Dedicated Funds
Funded through General Fund Sources
Millions of Dollars

	FUND	2004-05	2005-06	2006-07	2007-08	2008-09
		Selected State Fiscal Years				
Special Revenue Funds	MTOA					
	Petroleum Business Tax	$134.9	$143.0	$132.0	$137.0	$143.0
	Corporation & Utilities Taxes MTOA (other than surcharge)	64.5	74.0	68.0	68.0	68.0
	Total General Funds Sources	$199.4	$217.0	$200.0	$205.0	$211.0
	Dedicated Mass Transportation Trust Fund					
	Petroleum Business Tax	$351.6	$371.0	$355.0	$367.0	$416.0
	Motor Fuel	110.3	111	108.0	107.0	74.0
	Motor Vehicle Fees	137.8	163	186.0	189.0	188.0
	Total General Funds Sources	$599.7	$645.0	$649.0	$663.0	$678.0
	School Tax Relief (STAR) Fund					
	Personal Income Tax	$3,058.9	$3,213.0	$3,994.0	$4,679.0	$4,713.0
Capital Projects Funds	Dedicated Highway & Bridge Trust Fund					
	Petroleum Business Tax	$598.6	$632.0	$604.0	$625.0	$799.0
	Motor Fuel	419.5	420.0	406.0	405.0	277.0
	Highway Use	151.4	160.0	153.0	148.0	162.0
	Motor Vehicle Fees	524.5	557.0	557.0	562.0	553.0
	Auto Rental Tax	39.8	42.0	45.0	49.0	51.0
	Corporation & Utilities Taxes (183 & 184)	16.1	18.0	17.0	17.0	17.0
	Total General Fund Sources	$1,749.9	$1,829.0	$1,782.0	$1,806.0	$1,859.0
	Environmental Protection					
	Real Estate Transfer Tax	$112.0	$112.0	$147.0	$212.0	$237.0
Debt Service Funds	LGAT					
	Sales and Use Tax	$2,492.7	$2,614.6	$2,512.0	$2,615.0	$2,683.0
	Transfers *	2,181.8	2,294.8	2,092.6	2,305.4	2,314.2
	Net General Fund Sources	$310.9	$319.8	$419.4	$309.6	$368.8
	Clean Water/Clean Air Bond Fund					
	Real Estate Transfer Tax	$617.7	$826.0	$875.0	$794.0	$738.0
	Transfers *	516.4	714.7	753.4	667.2	615.1
	Net General Fund Sources	$101.3	$111.3	$121.6	$126.8	$122.9
	Revenue Bond Tax Fund					
	Personal Income Tax	6,260.3	$6,899.9	$7,647.0	$9,138.0	$9,701.0
	Transfers *	5,981	6,499.5	7,135.5	8,441.3	8,769.0
	Net General Fund Sources	279.3	$400.4	$511.5	$696.7	$932.0
	TOTAL GENERAL FUND SOURCES	$6,411.4	$6,847.5	$7,824.5	$8,698.1	$9,121.7

N/A   Not Applicable

* *Net payments reflect statutory payments less excess receipts not needed to make debt service commitments. The excess receipts are then transferred to the General Fund.*

Mass Transit Operating Assistance Fund
$211 million

The MTOA fund was created in 1981 to finance public transportation needs and projects. This Special Revenue Fund receives revenues from a portion of the Corporations and Utilities Tax (Sections 183 and 184 of Article 9) and the Petroleum Business Tax. However, it is worth mentioning that the largest sources of dedicated revenues to MTOAF are from Non-General Fund sources. The first is the 17 percent regional business tax surcharge levied on business within the Metropolitan Commuter Transportation District (MCTD - New York City, Long Island and the counties of Dutchess, Orange, Putnam, Rockland and Westchester). In SFY 2008-09, estimated surcharge deposits are expected to be $1 billion. The second is the special 0.375 percent sales tax imposed within the MCTD which is estimated at $742 million in SFY 2008-09.

Dedicated Mass Transportation Trust Fund
$678 million

The Dedicated Mass Transportation Trust Fund was created in 1991 to augment funding for mass transit needs in the State. It is funded by General Fund dedications of the petroleum businesses tax, the motor fuel tax and motor vehicle fees.

School Tax Relief (STAR) Fund
$4,713 million

Created in 1998-99, the School Tax Relief (STAR) Fund supports the STAR program to provide homeowners with relief from burdensome school property taxes.

Dedicated Highway and Bridge Trust Fund
$1,859 million

Initially funded in 1993 to help finance reconstruction, replacement and preservation of bridges and highways in New York, the Dedicated Highway and Bridge Trust Fund (DHBTF) receives its funding from a combination of contributions from the Petroleum Business Tax, the Motor Fuel Tax, the Highway Use Tax, Section 183 and 184 Transportation and Transmission Utilities Tax and Motor Vehicle fees. Effective April 1, 2002, all of the Auto Rental Tax is dedicated to this Fund and effective April 1, 2004 20 percent of Section 183 and 184 taxes are also dedicated to this Fund.

Environmental Protection Fund
$237 million

Created in 1993, the Environmental Protection Fund receives a portion of its funding from proceeds diverted from New York State's real estate transfer tax. Revenue sources for this fund include non-General Fund sources such as the proceeds from the sale/lease of State property. A statutory portion of the proceeds from the Real Estate Transfer Tax is diverted from the General Fund to partially fund the EPF.

Local Government Assistance Tax Fund

$2,683 million

Created in 1990 as a mechanism to eliminate New York's costly annual spring borrowing, the Local Government Assistance Tax Fund receives a statutory 25 percent of net General Fund Sales and Use Tax collections which are used to pay debt service on bonds issued by the Local Government Assistance Corporation. Fund receipts in excess of debt service requirements are returned to the General Fund.

Clean Water/Clean Air Bond Fund

$738 million

In 1996, the $1.75 billion Clean Water/Clean Air Bond Act was approved by voters in a November referendum. The Act specifies that beginning April 1, 1997, the debt service for these bonds will be supported by Real Estate Transfer Tax collections not otherwise diverted to the Environmental Protection Fund.

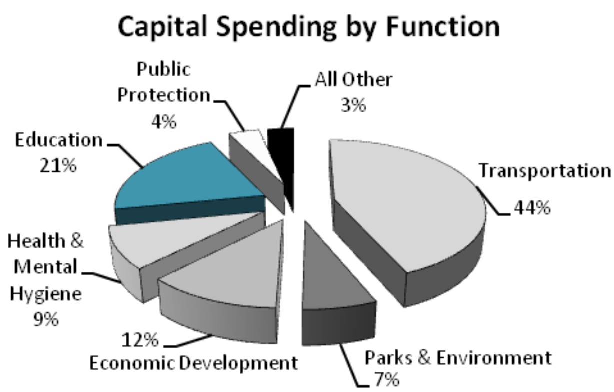
Revenue Bond Tax Fund

$9,701 million

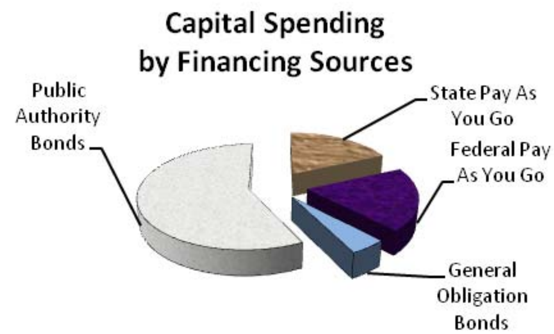
Created by Chapter 383 of the Laws of 2001, revenue bonds will lower the cost of State borrowing by improving the marketability and credit worthiness of the debt. Debt service on these bonds will be paid out of the Revenue Bond Tax Fund (RBTF) which receives 25 percent of net personal income tax receipts minus STAR payments (without contributions from the refund reserve account). Receipts that are not used for the payment of debt service are transferred back to the General Fund. The Executive Budget proposes calculating the 25 percent before STAR payments are subtracted.

DEBT FINANCING

Each year, a five-year Capital Program and Financing Plan is required to be submitted with the Executive Budget. As part of the SFY 2008-09 Executive Budget, the Governor proposes $48.4 billion in capital spending over the life of the plan, an average of $9.7 billion annually. In SFY 2008-09, capital spending is projected to increase by 14.3 percent, from $8.8 billion to $10.1 billion. As in previous years, transportation spending still constitutes the largest share of all capital spending, as shown below.



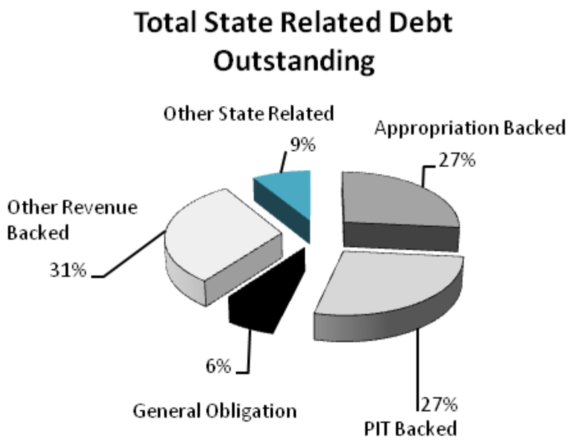
Capital spending is financed through a combination of four funding sources: state-pay as-you-go, federal-pay-as-you-go, general obligation bonds, and authority bonds. Pay-as- you-go financing is simply cash financing of the capital project. General obligation bonds are those whose debt issuance is specifically approved by the voters. Authority bonds are those issued by various public authorities of the State and for which debt service is appropriated by the State. As shown below, authority bonds represent the largest funding source for the State's proposed capital spending.



Debt Financing

State debt is characterized in two different ways. There is State-supported debt which is simply debt on which the State is obligated to make debt service payments. This type of debt includes general obligation bonds, appropriation backed debt, and revenue backed debt. Revenue backed debt includes personal income tax revenue bonds, Local Government Assistance Corporation bonds supported by sales tax revenues, State University dormitory bonds supported by dormitory fees, mental health bonds supported by patient fees and transportation debt supported by dedicated revenues.

Another way to characterize State debt is "State-related debt". The broader definition of State debt includes State-supported debt as well as debt where the State may need to use State resources to make debt service payments should the non-State funding sources be insufficient to make such payments. This type of debt includes State guaranteed debt, moral obligation debt, and contingent contractual obligations. Some examples of State-related debt are the Tobacco Securitization bonds and the liability of the Dormitory Authority to assume bonds issued by the Medical Care Facilities Finance Agency. The following chart shows the breakdown of outstanding bonds by type of debt.



In the proposed 5-year capital plan, debt issuances are projected to increase by $1.3 billion, from $4.7 billion currently to $6.0 billion in SFY 2008-09. By the end of the five year plan, debt issuances are projected to decrease by $803 million, from $6.0 billion in SFY 2008-09 to $5.2 billion in SFY 2012-13. This decrease is mainly due to the elimination of bond issuances in relation to the EXCEL program for school construction and bond issuances for the HEAL-NY program.

Debt Reform Act of 2000

The Debt Reform Act of 2000 statutorily limited the type and amount of debt the State could issue as well as limited the debt service costs associated with these new issuances. Any new debt issued by the State can be for capital purposes only and is limited to a maturity of thirty years. In addition, new debt issuances and their associated debt service costs are subject to the following statutory caps: four percent of State personal income for new debt outstanding; and five percent of All Fund receipts for new debt service costs. New debt encompasses all debt issued subsequent to the enactment of the Debt Reform Act of 2000.

As shown in the following tables, the bond issuances, as well as the associated debt service for the proposed capital spending plan fall below the bond caps specified in the Debt Reform Act. However, the debt cap for any given year is based on personal income for the preceding calendar year. For example, the debt outstanding cap for SFY 2008-09 is based on the State's personal income for 2007. Should the economy slow down more than projected in the upcoming fiscal year, or worse, go into a recession, the bond cap would decrease as personal income growth weakens.

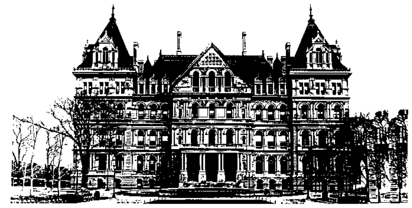
In addition, debt issuances over the life of the capital plan average $5.7 billion per year. As shown in the following table, issuances subsequent to the SFY 2008-09 capital plan would be constrained by the debt cap.

New Debt Outstanding
(Millions of Dollars)

SFY	Debt Cap	Actual/Projected
2006-07	25,292.6	17,823.6
2007-08	30,116.1	21,680.0
2008-09	34,428.3	26,599.4
2009-10	39,265.8	31,471.9
2010-11	41,416.2	35,721.5
2011-12	43,510.5	39,159.5
2012-13	45,773.0	42,225.6

New Debt Service
(Millions of Dollars)

SFY	Cap	Actual/Projected
2006-07	3,349.4	1,427.4
2007-08	3,888.8	1,757.0
2008-09	4,510.2	2,113.0
2009-10	5,125.9	2,640.2
2010-11	5,785.0	3,267.5
2011-12	6,452.2	3,704.8
2012-13	7,179.8	4,065.7

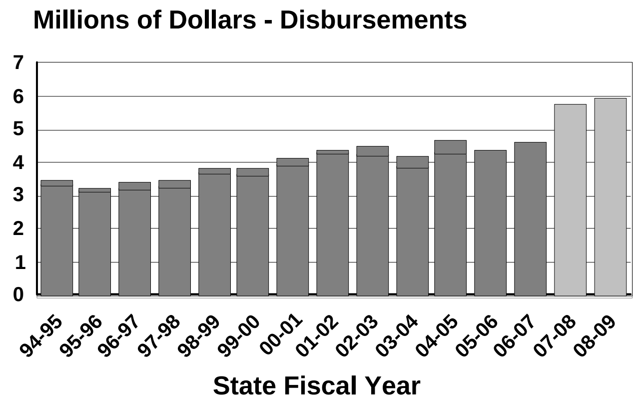


SECTION FOUR

AGENCY DETAIL

ADIRONDACK PARK AGENCY

Appropriations and Spending (Thousands of Dollars)				
Fund	Adjusted 2007-08	Proposed 2008-09	Change Amount	Change Percent
General	5,548	5,548	0	0.0%
Federal	700	700	0	0.0%
Other	0	0	0	0.0%
Capital	0	0	0	0.0%
Total	6,248	6,248	0	0.0%
Cash	5,740	5,929	189	3.3%



Senate Finance Contact:
Richard C. Mereday ext. 2934

Agency Overview

The Adirondack Park Agency (APA) was created in 1973 and is responsible for State and private land use development plans within the Adirondack Park, a six million acre mix of public and private lands. The APA reviews and issues permits for private and State land use projects. It also administers the State's Wild, Scenic and Recreational River System and operates two Visitor Interpretive Centers in Franklin and Essex Counties.

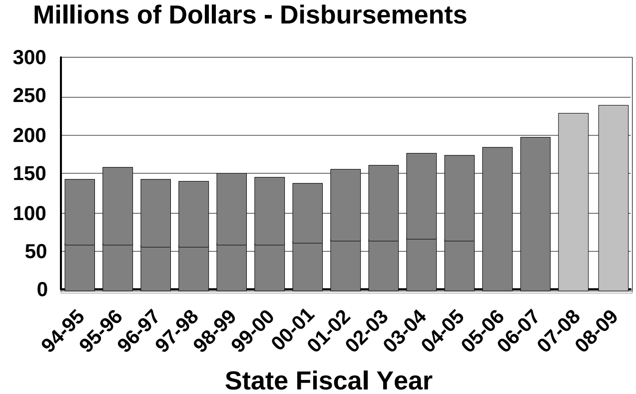
Budget Proposal:

The SFY 2008-09 Executive Budget proposes All Funds appropriations of $6.2 million, which is unchanged from SFY 2007-08.

This funding level supports 72 staff positions to carry out the Agency’s regulatory functions and fund the operations of two Visitor Interpretive Centers located at Newcomb in Essex County and Paul Smith’s College in Franklin County.

OFFICE FOR THE AGING

Appropriations and Spending (Thousands of Dollars)				
Fund	Adjusted 2007-08	Proposed 2008-09	Change Amount	Change Percent
General	123,137	127,763	4,626	3.8%
Special	4,300	4,300	0	0.0%
Federal	117,850	117,850	0	0.0%
Other	100	100	0	0.0%
Capital	0	0	0	0.0%
Total	245,387	250,013	4,626	1.9%
Cash	229,194	240,097	10,903	4.8%



Agency Overview:

The State Office for the Aging (SOFA) administers the Federal, State, and local programs serving New York's senior citizens. All programs are operated at the local level by 59 area Agencies for the Aging, and a variety of not-for-profit providers.

Budget Proposal:

The SFY 2008-09 Executive Budget recommends All Funds appropriations of $250 million, an increase of $4.6 million from SFY 2007-08. The increase includes $13.8 million in additional program spending in the following areas:

- Three year extension of the Cost of Living Adjustment (COLA) for providers of the Expanded-In-Home-Services for the Elderly Program (EISEP), Community Services for the Elderly (CSE), and the Supplemental Nutrition Assistance Program (SNAP), $4,800,000;
- Expanding the number of meals served to seniors through the SNAP program to approximately 700,000 meals, $4,000,000;
- Targeted EISEP services for the frail elderly who have a high risk of becoming institutionalized, $2,500,000;
- Up to seven Caregiver Centers for Excellence funded through regional Area Agencies for the Aging (AAAs), $950,000;
- Adult Day Services demonstration project to help seniors age in place and avoid having to spend down to Medicaid**,** $1,000,000;
- Training and support in the development of innovative senior care models and professional development in geriatrics, $500,000; and,
- Improvements to SOFAs data management and web based infrastructure, $50,000.

The Executive proposes eliminating the following Legislative programs:

- Additional staffing for Naturally Occurring Retirement Communities (NORC), ($85,000);
- Alzheimer's Advisory Council, ($225,000);
- NY NORC Health Indicators Project, ($90,000);
- Caregiving in New York Study, ($10,000);
- Mature Worker Task Force, ($100,000);
- Zoning Guidelines / Age Integrated Communities, ($100,000);
- Community Services for the Elderly Transportation, ($1,000,000);
- Geriatric Home Medical Care, ($1,000,000);
- End of Life Care, ($200,000);
- Senior Housing Pilot, ($2,030,000);
- Social Adult Day Care Program, ($500,000);
- Stony Brook Study/Geriatric Home Medical Care, ($150,000); and,
- Coordination Initiative, ($600,000).

The following programs have been transferred from the Department of Health into SOFA:

- Health Insurance Information, Counseling and Assistance, $1,000,000;
- Managed Care Consumer Assistance Program, $2,000,000; and,
- Evidence Based Disease Prevention, $100,000.

Article VII:

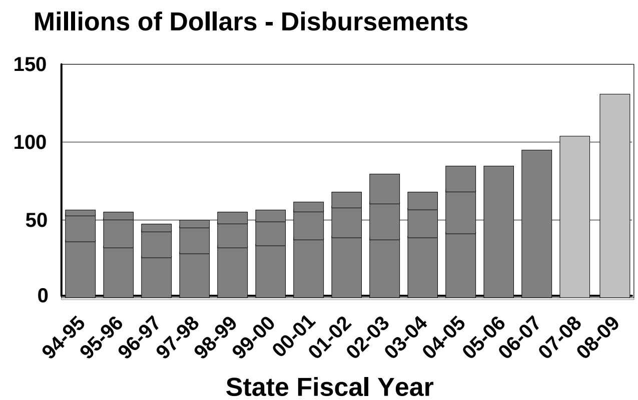
Article VII language is proposed to implement the Targeted EISEP for the Elderly and Adult Day Demonstration programs.

The current staff level is reduced by six full time equivalents, from 147 to 141 due to elimination of Legislative programs. The reductions will occur through attrition and will not result in lay offs.

Senate Finance Contact:
Peter Drao ext. 2918

DEPARTMENT OF AGRICULTURE AND MARKETS

Appropriations and Spending (Thousands of Dollars)				
	Adjusted	Proposed	Change	
Fund	2007-08	2008-09	Amount	Percent
General	60,925	56,097	(4,828)	-7.9%
Special	42,561	44,434	1,873	4.4%
Federal	49,644	49,644	0	0.0%
Other	25,166	25,997	831	3.3%
Capital	3,750	3,750	0	0.0%
Total	182,046	179,922	(2,124)	-1.2%
Cash	103,857	131,524	27,667	26.6%



Agency Overview:

The Department of Agriculture and Markets supports the State's agricultural industry for the benefit of both producers and consumers, protects consumers from unsafe food and economic fraud through inspection and testing, promotes the prudent use of the State's farmland, and oversees the testing of animal and plant industries.

The Department, together with the Industrial Exhibit Authority, is responsible for managing the annual 12-day New York State Fair and the State Fairgrounds in Syracuse, a 365-acre complex consisting of 20 exhibit halls and over 100 other structures. Operating costs of the Fair and the Fairgrounds are funded solely from admissions, rental and concession fees.

In 2007 the Executive established the New York State Council on Food Policy a panel of farm, public sector, labor, and academic leaders that will work to establish policies to ensure the availability of safe, fresh, nutritious and affordable food for all New Yorkers. The Department, in its food inspection and agriculture support capacity, will ultimately be responsible for implementing many of the Council's recommendations.

Budget Proposal:

The Executive's major agriculture initiative, the $50 million Upstate Agricultural Economic Development Fund, is included in the New York State Urban Development Corporation (d.b.a. ESDC) Capital projects budget and will be administered by ESDC in consultation with the Department.

The SFY 2008-09 Executive Budget proposal includes All Funds appropriations of $179.9 million for the Department of Agriculture and Markets. This represents a decrease of $2.1 million or 1.2 percent from the SFY 2007-08 funding level. The SFY 2008-09 Budget proposed no changes to last year's funding levels for Federal Special Revenue or Capital Funds.

The General Fund decrease of $4.8 million results from a net reduction of 15 full-time equivalent positions and decrease in funding for local initiatives offset by inflationary increases in personnel costs and new funding for the Invasive Species Task Force. The 26.6 percent increase in cash disbursements for SFY 2008-09 is due to spending for construction of the State Food Laboratory.

The Executive proposes $415,000 in funding to establish six new positions in the following areas: economic development (2), contract audit (1), commodity specialist (1), horticulture specialist (1). Two positions were created, after the adoption of the SFY 2007-08 Budget, for the Invasive Species Task Force. The Executive appropriates $110,000 for the Task Force. Implementing the proposed "risk-based" approach to retail food inspection would result in elimination of 21 positions in the Food Safety and Inspection program for a savings of $1.2 million.

This year the Executive introduced the following ***new*** initiatives:

- $450,000 for a program to assist farmers wishing to adopt organic farming practices;
- $300,000 to help growers prevent the spread of the golden nematode pest; and
- $20,000 for a seed quality improvement program.

Increased funding is proposed in the Executive Budget for the following established programs (amount shown is total program appropriation):

- $2.8 million for the "core" diagnostic lab;
- $600,000 for Johnes Disease prevention;
- $1.1 million for the Quality milk program;
- $500,000 for Cornell's agricultural education programs;
- $6.5 million for migrant worker child care;
- $2.4 million for Grow NY;
- $600,000 for farm family assistance;
- $600,000 for the Geneva Experimental Station;
- $100,000 for Golden Nematode research;
- $400,000 for apiary inspection;

The Executive proposes reducing or eliminating funding for all other agricultural program line items that were included in the SFY 2007-08 adopted budget. These local program changes result in a $5.5 million net reduction in funding for local programs.

The SFY 2008-09 Executive Budget proposal provides $1.75 million in Capital Funding for maintenance and improvements of facilities at the State Fairgrounds and $2 million for a Capital Special Revenue Fund to develop private partnerships at the Fair.

Article VII Legislation:

The Executive proposes Article VII legislation that would allow the Department to implement a "risk based" inspection program for retail food stores. Instead of a schedule of annual inspections for all stores, inspection frequency for individual establishments would be based on risk factors such as establishment size and type of food offered for sale.

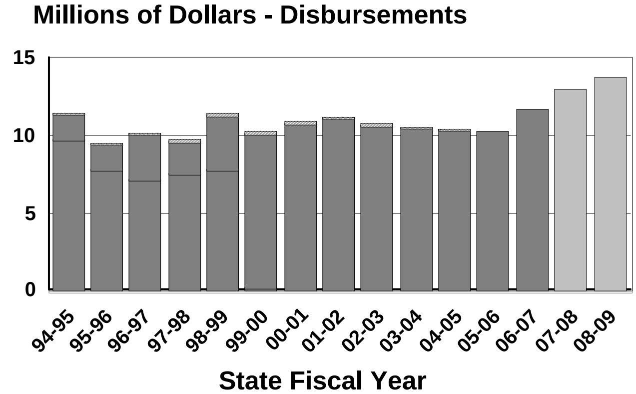
The Executive proposes Article VII Legislation to increase penalties for manufacturing, producing, selling or otherwise distributing, or storing prohibited items. The current fees are not considered sufficient to prevent violations. Penalties would increase from $300 to $1000 for the first violation and from $600 to $2000 for the second violation.

Senate Finance Contact:
Lilian Kelly   ext. 2931

DIVISION OF ALCOHOLIC BEVERAGE CONTROL

Appropriations and Spending
(Thousands of Dollars)

Fund	Adjusted 2007-08	Proposed 2008-09	Change Amount	Change Percent
General	0	0	0	0.0%
Special	17,038	17,556	518	0.0%
Federal	0	0	0	0.0%
Other	0	0	0	0.0%
Capital	0	0	0	0.0%
Total	17,038	17,556	518	3.0%
Cash	13,012	13,719	707	5.4%



Agency Overview:

The Division of Alcoholic Beverage Control regulates and controls the manufacture, sale and distribution of alcoholic beverages within New York State. The Division issues and renews licenses and permits to manufacturers, distributors, wholesalers and retailers, works with local law enforcement agencies to ensure compliance with the Alcoholic Beverage Control Law; and regulates trade and credit practices for the sale and distribution of alcoholic beverages by such actions as registering brand labels and controlling wholesale and retail prices.

Budget Proposal

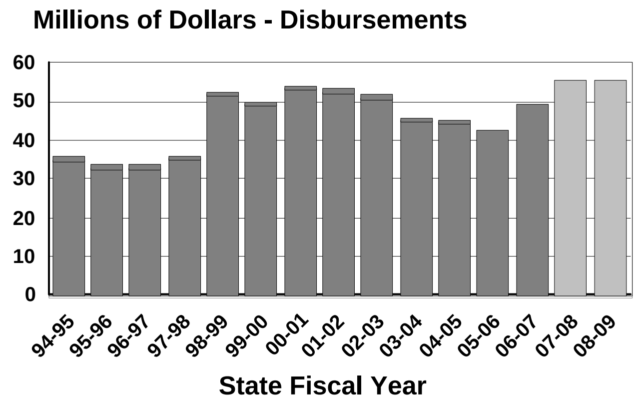
The SFY 2008-09 Executive Budget recommends Special Revenue Fund appropriations of $17.6 million, a $518,000 increase above SFY 2007-08 levels. This increase reflects salary adjustments, non personal service increases and a one time increase of $200,000 for a Law Revision Commission analysis of Alcohol and Beverage Control Law.

The SFY 2008-09 Executive Budget recommends that the Division's workforce remain at 156 positions, unchanged from SFY 2007-08 levels.

Senate Finance Contact:
Nicole C. Fosco, ext. 2928

COUNCIL ON THE ARTS

Appropriations and Spending (Thousands of Dollars)				
	Adjusted	Proposed	Change	
Fund	2007-08	2008-09	Amount	Percent
General	55,066	55,142	76	0.1%
Special	6,461	4,122	(2,339)	-36.2%
Federal	1,513	1,513	0	0.0%
Other	0	0	0	0.0%
Capital	0	0	0	0.0%
Total	63,040	60,777	(2,263)	-3.6%
Cash	55,766	55,662	(104)	-0.2%



Agency Overview:

The New York State Council on the Arts (NYSCA) was established in 1965 to foster an environment for visual and performing arts, stimulate public interest and participation in and access to the arts, and expand the State's cultural resources and artistic heritage. NYSCA supports the activities of nonprofit arts and cultural organizations in New York State and helps to bring quality artistic programs to its citizens. The State Legislature directed NYSCA to maintain the "paramount position of this State in the nation and the world as a cultural center" through support of State arts organizations.

Budget Proposal:

The Executive Budget recommends All Funds appropriations of $60.7 million for SFY 2008-09, a decrease of $2.2 million or 3.6 percent from current levels.

The Executive Budget also recommends a Special Revenue Fund deficiency appropriation of $2.6 million in SFY 2007-08 for the New York State Theatre Institute (NYSTI) program. This funding would pay retroactive and current fringe benefit and indirect costs for NYSTI employees. These expenses were not accounted for in NYSTI's budget when funding for the Institute was shifted to the State Education Department's Cultural Education Account in SFY 2005-06. As a result of the deficiency appropriation, NYSTI's funding level for SFY 2007-08 was adjusted to $4.6 million.

State Operations:

The Executive Budget reduces State Operations spending by $1.2 million in SFY 2008-09. This reduction is attributed to the partial elimination of deficiency funding provided to NYSTI in SFY 2007-08. Also, there are small administrative funding increases for NYSCA ($76,000) and the Empire State Performing Arts Center ($16,000).

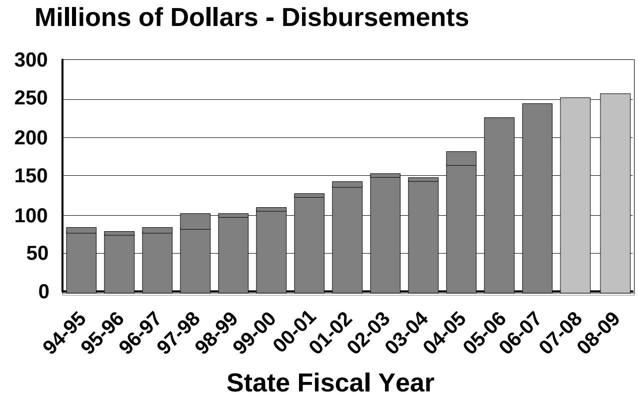
Aid to Localities:

The Executive Budget reduces Aid to Localities appropriations by $1 million through the elimination of a dry appropriation for the Arts Institutions Revolving Loan Fund. Grant funding of $49 million for NYSCA remains unchanged from the SFY 2007-08. These funds are allocated as general arts grants, pursuant to a per capita formula, to provide financial assistance to nonprofit cultural organizations.

Senate Finance Contact:
Lauren King ext. 2935

DEPARTMENT OF AUDIT AND CONTROL

Appropriations and Spending (Thousands of Dollars)				
	Adjusted	Proposed	Change	
Fund	2007-08	2008-09	Amount	Percent
General	175,752	182,987	7,235	4.1%
Special	85,838	77,978	(7,860)	-9.2%
Federal	0	0	0	0.0%
Other	91,987	97,808	5,821	6.3%
Capital	0	0	0	0.0%
Total	353,577	358,773	5,196	1.5%
Cash	251,534	258,612	7,078	2.8%



Agency Overview:

The Department of Audit and Control provides staff resources for the State Comptroller. The State Comptroller is a statewide elected official whose primary duties include providing fiscal oversight for State and local governments. In performing these duties, the Comptroller has the responsibility of developing and maintaining the accounting and financial management systems for the State and its localities.

The State Comptroller conducts, on a continuing basis, financial and management audits of State agencies, public authorities and local governments and provides assistance to the New York City Financial Control Board in carrying out their responsibilities with respect to the financial affairs of the City. The State Comptroller is the sole trustee of the State and Local Employee Retirement Systems and administers the State's retirement programs and invests the assets of the Common Retirement Fund.

Budget Proposal

The SFY 2008-09 Executive Budget recommends All Funds appropriations of $358.5 million, $5.2 million above the SFY 2007-08 levels.

In State Operations, the Executive is recommending a General Fund increase of $5.3 million to support 91 additional FTE's for various administrative initiatives including 40 FTE's for auditing activities for a State and Local Accountability Program. Also, additional funds are necessary for significant maintenance costs associated with software and hardware acquired in prior years, fixed cost increases and increases in real estate leases.

The Executive also recommends an increase of Fiduciary Funds of $5 million to support an additional 23 FTE's for various initiatives related to Retirement system business redesign, back file conversion for electronic storage and retrieval and to revise the compensation structure for the Division of Pension and Cash Management.

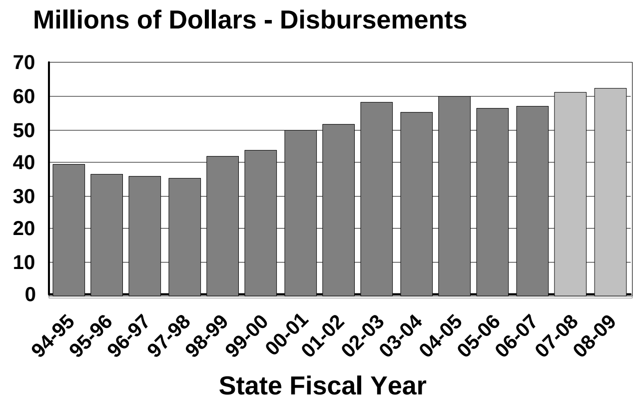
The Executive is also recommending an $8 million funding reserve from the Indigent Legal Services Fund to support activities of a new Office of Indigent Defense Services in the Department of State.

The Executive's recommended new initiatives will increase the Department's workforce by 114, from 2,529 by March 31, 2008 to 2,643 on March 31, 2009.

Senate Finance Contact:
Richard C. Mereday ext. 2934

BANKING DEPARTMENT

Appropriations and Spending (Thousands of Dollars)				
	Adjusted	Proposed	Change	
Fund	2007-08	2008-09	Amount	Percent
General	0	0	0	0.0%
Special	98,142	101,883	3,741	3.8%
Federal	0	0	0	0.0%
Other	0	0	0	0.0%
Capital	0	0	0	0.0%
Total	98,142	101,883	3,741	3.8%
Cash	61,413	62,337	924	1.5%



<u>Agency Overview:</u>

The Banking Department regulates all State-chartered banks and financial institutions, including more than 4,000 commercial and savings banks, foreign banks, trust companies, savings and loan associations, credit unions and mortgage bankers and brokers. The Department approves acquisitions, branch expansions, mergers and other forms of consolidation, levies fines and orders cessation of unsound banking practices. The Department is funded completely by fees charged to the regulated financial institutions.

<u>Budget Proposal:</u>

The SFY 2008-09 Executive Budget recommends All Funds appropriations of $101.9 million, an increase of 3.8 percent over SFY 2007-08.

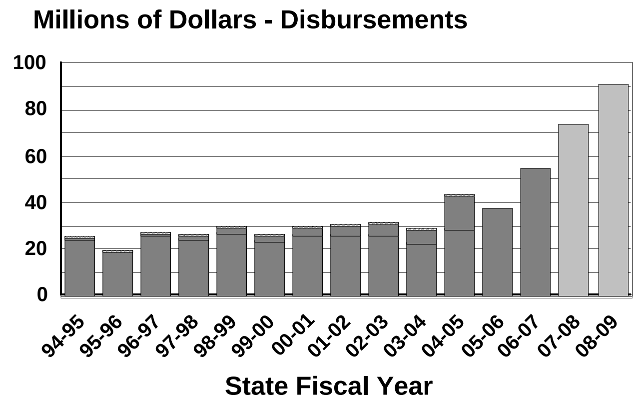
<u>Budget Highlights</u>:

Increases include $2 million for a matching grant program to assist homeowners facing delinquency or foreclosure. In addition, $1.8 million is provided for negotiated salary and fringe benefit adjustments.

Senate Finance Contact:
Kevin Bronner Jr. ext. 2752

DIVISION OF THE BUDGET

Appropriations and Spending (Thousands of Dollars)				
	Adjusted	Proposed	Change	
Fund	2007-08	2008-09	Amount	Percent
General	33,407	33,407	0	0.0%
Special	74,204	64,204	(10,000)	-13.5%
Federal	0	0	0	0.0%
Other	1,650	1,650	0	0.0%
Capital	0	0	0	0.0%
Total	109,261	99,261	-10,000	-9.2%
Cash	73,362	91,000	17,638	24.0%



Agency Overview:

Under the State Constitution, the Governor is responsible for the preparation and execution of the State's expenditure and revenue plans. The Division of the Budget prepares a proposed budget under the direction of the Governor and executes a budget as adopted by the Legislature.

Budget Proposal:

The Executive Budget recommends All Funds appropriations of $99.3 million in SFY 2008-09, a decrease of $10 million or 9.2 percent from current levels.

The decrease is the result of a reduced appropriation for the Statewide Financial System, while administrative funding remains unchanged from the current year.

Statewide Financial System:

To date, the Legislature has provided $100 million for the design and implementation of an integrated *Statewide Financial System* (SFS) to create accounting uniformity and transparency among all State agencies. An execution plan has been developed under the supervision of the Office of the State Comptroller and the Division of the Budget, and a joint governance structure is in place to ensure successful project implementation. The SFY 2008-09 Executive Budget includes $40 million for the purchase of hardware and software and for fifteen new full time equivalent positions related to the SFS project.

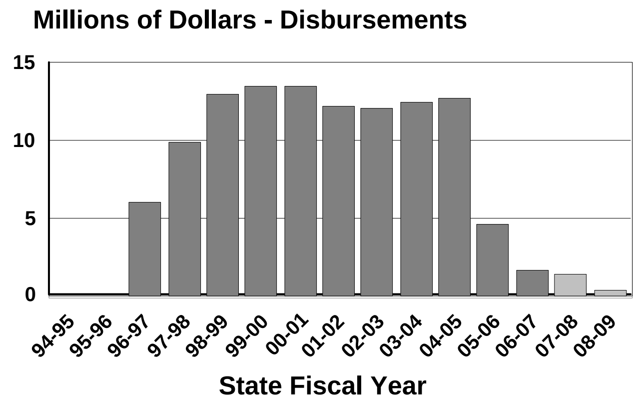
There is an increase of $17.7 million in projected cash spending in SFY 2008-09 resulting from higher cash disbursements as the SFS project moves forward.

Senate Finance Contact:
Lauren King ext. 2935

CAPITAL DEFENDER OFFICE

Appropriations and Spending (Thousands of Dollars)				
Fund	Adjusted 2007-08	Proposed 2008-09	Change Amount	Change Percent
General	1,300	368	(932)	-71.7%
Special	0	0	0	0.0%
Federal	0	0	0	0.0%
Other	0	0	0	0.0%
Capital	0	0	0	0.0%
Total	1,300	368	(932)	-71.7%

Cash	1,300	368	(932)	-71.7%



Agency Overview:

The Capital Defender Office (CDO) was created in 1995 and authorized to defend any indigent person charged with a capital crime.

Death Penalty Legislation:

In 2004, the New York Court of Appeals in *People v. Lavalle*, determined that the "deadlock" provision of the death penalty statute was unconstitutional. The "deadlock" provision is a sentencing instruction that the trial courts are obligated to give to deliberating juries, and was determined to be coercive by the Court of Appeals. The Court stated that first degree murder charges could not be prosecuted as capital cases, unless the Legislature acted to correct the statute. In *People v. Lavalle* the Court of Appeals invalidated the State's death penalty statute.

Budget Proposal:

The SFY 2008-09 Executive Budget proposes a General Fund appropriation of $368,000, a decrease of $932,000 from the previous year. This decrease reflects the Executive proposal for the closure of the CDO since correction of the death penalty statue by the Legislature has not occurred. On October 2007, in *People v. Taylor*, the Court of Appeals declined to overturn or modify its June 2004 decision. This decision resulted in the last person moved off New York's death row. The Executive recommendation of $368,000 in General Fund support would allow the CDO to maintain minimal staff presence for a portion of the year and for costs associated with preparing to close the office during SFY 2008-09.

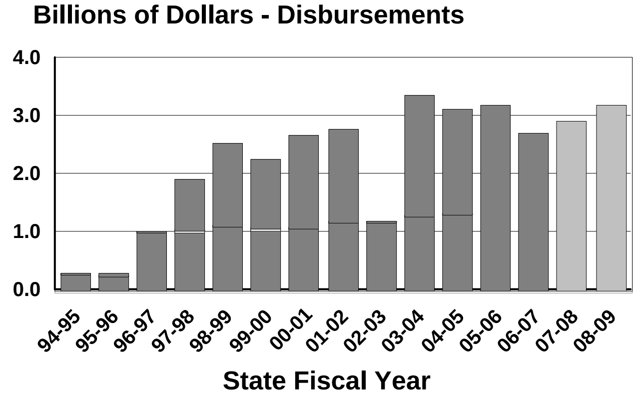
Capital Appeals:

Of the seven defendants that have been sentenced to death, all seven defendants following a death penalty appeal were resentenced to life without parole after appeal. There are no remaining death penalty cases pending review by the Court of Appeals.

Senate Finance Contact:
Maria LoGiudice ext. 2936

OFFICE OF CHILDREN AND FAMILY SERVICES

Appropriations and Spending (Thousands of Dollars)				
	Adjusted	Proposed	Change	
Fund	2007-08	2008-09	Amount	Percent
General	1,898,872	2,085,124	186,252	9.8%
Special	133,262	124,431	(8,831)	-6.6%
Federal	1,482,264	1,483,184	920	0.1%
Other	575	575	0	0.0%
Capital	38,460	38,488	28	0.1%
Total	3,553,433	3,731,802	178,369	5.0%
Cash	2,910,937	3,175,967	265,030	9.1%



Agency Overview:

Created in 1997, the Office of Children and Family Services (OCFS) is responsible for administering all of the programs formerly run by the Division for Youth and the children and family supportive service programs of the former Department of Social Services. The Office of Children and Family Services provides programs and services for children, vulnerable youths, adults and families in New York State.

Budget Proposal:

The SFY 2008-09 Executive Budget provides $3.7 billion in All Funds appropriation support, an increase of $178.4 million or five percent over SFY 2007-08.

Local Detention Costs:

The SFY 2008-09 Executive Budget proposes to shift 100 percent of the cost of operating local detention facilities to the counties and New York City, for an increased cost to localities (and savings to the State) of $35.4 million in SFY 2008-09, growing to $59.2 million in SFY 2009-10. Currently, the State provides 50 percent reimbursement to localities for detention costs. The Executive proposes to provide $860,000 in additional funding for community-based alternatives to detention, to encourage localities to expand use of such alternatives where appropriate.

Youth Facility Closures:

Based on underutilization of several non-secure and limited secure youth residential facilities, the SFY 2008-09 Executive Budget proposes to eliminate 50 beds, for a 50 percent reduction, at the Lansing Residential Center in Tompkins County, and to close seven facilities, including:

- Auburn Residential (Cayuga County)
- Adirondack Wilderness Program (Clinton County)
- Brace Residential (Delaware County)
- Cass Residential (Albany County)
- Gloversville Group Home (Fulton County)
- Great Valley Residential (Cattaraugus County)
- Pyramid Reception Center (Bronx County)

Savings from the proposed closures and downsizings would total $3.4 million in SFY 2008-09, from the elimination of 254 positions, all but 90 of which would be Upstate, and 241 beds. Savings would grow to $16.3 million in SFY 2009-10. The Cass facility will be closing in May 2008, and will be converted into a training center for the Office of Parks, Recreation and Historic Preservation (OPRHP). The remaining closures and downsizing would take place in January 2009.

Family and Children's Services Program:

The Executive recommends $619.3 million in General Fund support for Child Welfare Services, an increase of $153.7 million, or 33 percent, due to an increase in claims. The Executive Budget includes $226.8 million for adoption subsidies, an increase of $17.2 million due to projected caseload growth and a 2.5 percent cost of living adjustment (COLA) for adoptive parents.

The Executive Budget includes $6.3 million for Child Advocacy Centers (CACs), reflecting the elimination of a legislative add of $1.5 million. CACs provide a method for coordinating and conducting interviews of children who are victims of abuse in a non-threatening environment.

Several programs traditionally funded with Federal Temporary Assistance to Needy Families (TANF) monies within the Office of Temporary and Disability Assistance (OTDA), would be transferred to OCFS and supported with General Fund dollars, including: advantage after school programs ($27.8 million); home visiting ($25.2 million); preventive services ($25.8 million); and the kinship caretaker relative program ($2.2 million). In addition, $7.3 million in funding for the Adolescent Pregnancy Prevention Program (APPS) would be transferred to the Department of Health, and funded with General Fund dollars.

Foster Care:

Recommended funding for the Foster Care Block Grant (FCBG) totals $444.9 million, an increase of $26.1 million, including $18.7 million to support a 2.5 percent COLA for foster care providers, and reflecting the inclusion of $9.4 million to support the Maximum State Aid Rate (MSAR) for foster care within the block grant appropriation.

The Executive includes $10.2 million to phase-in an additional 561 of 3,303 Medicaid waiver slots associated with enhancing services to children in foster care with multiple needs. Only 49 slots will be operational by the end of the current year.

The Executive includes $2.3 million for NY/NY III to support 100 youth beds for young adults aging out of the foster care system and at risk of becoming homeless.

The Executive also includes $6.1 million, an increase of $320,000, for the Office of Mental Health's home and community based waivers. Local districts will be able to use the 65 percent State reimbursement match for preventive services to meet the mental health needs of children in foster care or at risk of placement.

Child Care Program:

The SFY 2008-09 Executive Budget recommends $540 million for the Child Care Block Grant (CCBG). In addition, the proposed Flexible Fund for Family Services (FFFS), appropriated in the Office of Temporary and Disability Assistance (OTDA) would allow local districts to determine the appropriate amount of Temporary Assistance for Needy Families

(TANF) funds to transfer into the CCBG to support child care in their respective locality. In SFY 2007-08, child care funding totaled $906 million, when TANF funds were included.

Child Care Block Grant (millions of dollars)		
Category	SFY 07-08	SFY 08-09
CCDF	314	312
TANF line outs		
Subsidies	356	0
Migrant Workers	2	2
SUNY	2	2
CUNY	1	1
Demos	12	0
TANF FFFS	4	TBD
State	140	140
Local MOE	68	68
AFSCME Demo	4	0
CCR&Rs	2	0
Prior Year funding	1	14
TOTAL FUNDING	**906**	**540**

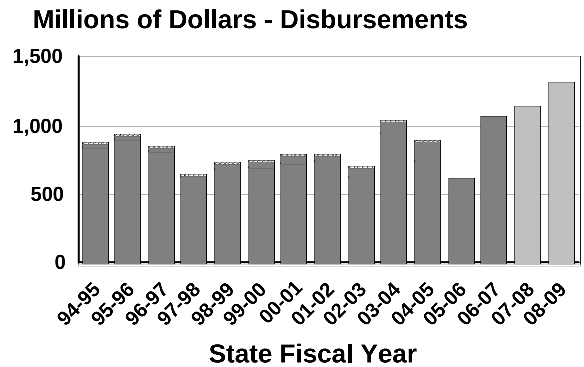
Systems Support Program:

The Executive provides $91.2 million in All Funds support, a net increase of $4.4 million, for the operation, maintenance, and development of CONNECTIONS, the State's child welfare information system. Of the increase, $5 million is to offset the depletion of Federal reserves, $1 million is attributed to an Office for Technology rate increase for systems support, and $1.9 million is related to inflation and salary adjustments. These increases are partially offset by $3 million in reductions resulting from the use of bond proceeds to cover software development costs, and a $500,000 reduction in nonpersonal service expenses.

In addition, $17.4 million in bonding authority is proposed for the initial phase of the modernization of CONNECTIONS infrastructure.

CITY UNIVERSITY OF NEW YORK

Appropriations and Spending (Thousands of Dollars)				
	Adjusted	Proposed	Change	
Fund	2007-08	2008-09	Amount	Percent
General	1,136,570	1,210,227	73,657	6.5%
Special	145,000	145,000	0	0.0%
Federal	0	0	0	0.0%
Other	1,772,937	1,845,568	72,631	4.1%
Capital	265,800	1,699,602	1,433,802	539.4%
Total	3,320,307	4,900,397	1,580,090	47.6%
Cash	1,143,206	1,321,507	178,301	15.6%



Agency Overview:

The City University of New York (CUNY) is the nation's third largest public university system educating more than 232,000 students in the urban community of New York. The City University has 11 Senior Colleges, a Graduate School and University Center, a Graduate School of Journalism, a Law School and six Community Colleges. New York City is statutorily required to pre-finance the CUNY Senior Colleges, while the State reimburses the City for those costs. The Fiduciary Fund Budget represents the entire academic year operating cost of the senior colleges. The Aid to Localities budget represents the State General Fund portion that is transferred to the Fiduciary Fund. In effect, this portion of the budget is double counted when looking at the All Funds appropriation. The City University operating budget supports an estimated 11,000 full-time equivalent (FTE) positions. Community Colleges are funded in the traditional way with operating costs paid by tuition, the local sponsor and the State.

Budget Proposal:

The SFY 2008-09 Executive Budget recommends All Funds appropriations of $1.7 billion for the CUNY Senior Colleges, an increase of $53.1 million, or 3.2 percent over the current year. This increase is attributable primarily to rising costs of collective bargaining agreements, fringe benefits, and contractual obligations. General Fund appropriations for the CUNY system are increased by $73.6 million or 6.5 percent, from $1.136 billion to $1.21 billion. CUNY's Senior Colleges General Fund appropriations represent $1.03 billion of the total, an increase of $69 million or seven percent. Appropriations for CUNY Senior Colleges' employee fringe benefits and pension programs total $389 million, an increase of $35.9 million or 10 percent over the current level.

The proposed Executive Budget reduces CUNY's base level funding by $16.7 million. To offset this reduction, the University is expected to achieve a savings of $16.7 million in the SFY 2008-09 through efficiencies. A separate $8.5 million contingency appropriation outside of the CUNY budget is reserved for the University, should energy costs rise above the SFY 2008-09 budgeted level. The Executive Budget recommends a new $1 million appropriation to support CUNY's nursing programs in order to help address State-wide nursing shortage.

University Income Accounts:

The Senior Colleges are projected to raise an additional $658 million in revenues during the 2008-09 academic year. The amount reflects a base level increase of $20 million to reflect increased revenue from prior year enrollment growth. In addition, the University is expected to achieve a $16.7 million savings through efficiencies. The Executive does not recommend a tuition increase for the 2008-09 academic year.

Funding for Opportunity and Financial Aid Programs:

Funding for the Search for Education, Elevation and Knowledge (SEEK) Program is recommended at $16.9 million, a decrease of $555,000 or three percent from last year. This reduction reflects the Executive's elimination of last year's legislative increase. The SEEK program provides supplemental financial aid, academic support, counseling and mentoring services for students at CUNY's Senior Colleges.

Community Colleges:

The SFY 2008-09 Executive Budget proposes to reduce community college base operating aid per full-time equivalent (FTE) student by $50, from $2,675 to $2,625. The proposed base aid total for CUNY community colleges would be $163.7 million, a net increase of $1.5 million or one percent from the current year. The increase is partially reflective of a $2.1 million increase in funding attributable to enrollment growth, offset by a $3.1 million decrease in base aid per FTE funding. Last year, the Legislature increased base aid by $50, from the $2,625 proposed by the Executive, to $2,675. The proposed base aid reduction is consistent with the Executive's elimination of many of last year's legislative additions. The Executive recommends increasing CUNY Community college rental aid by $2.3 million or 48 percent, from $4.9 million to $7.2 million. The increase is related to the Borough of Manhattan Community College's loss of the Fiterman Hall in the 2001 World Trade Center attacks.

Funding for community college contract courses ($2 million) and child care centers ($865 million) programs are continued at the current levels. The Executive eliminates a SFY 2007-08 legislative addition of $42,000 to the College Discovery program administered by CUNY community colleges. The program provides supplemental financial aid, academic support, counseling and mentoring services for students at CUNY's Community Colleges.

Capital Plan:

The SFY 2008-09 Executive Budget recommends $2.8 billion for CUNY's new five-year capital plan – 2008-09 through 2012-13. Of this amount, $2.5 billion is appropriated to the CUNY Senior Colleges and $260.4 million for the Community colleges' academic facilities (see chart below). Appropriations totaling $1.1 billion for critical maintenance for 2009-10 through 2012-2013 are not reflected in SFY 2008-09 authorizations. The Executive recommends $960 million in lump sum non-itemized appropriations for new projects at CUNY state-operated campuses to be distributed pursuant to the proposed University Capital Projects Review Board. The SFY 2008-09 recommended appropriation for critical maintenance projects at CUNY Senior colleges totals $284.2 million. For additional details of this plan, see “Higher Education Capital” in the *Issues in Focus* section of this publication.

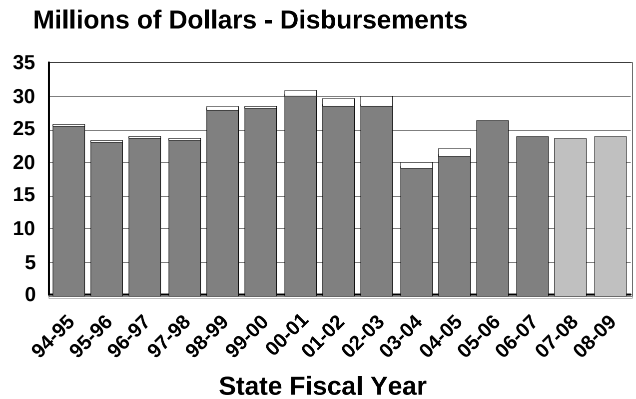
Senate Finance Contact:
Ade Somide ext. 2760

Proposed CUNY Capital Plan 2008-09 through 2012-13		
	2008-09 Appropriations	**Future Appropriations**
	Thousands of dollars	
Senior Colleges	1,439,152	1,136,880
Community Colleges	260,450	
Total CUNY	**1,699,602**	**1,136,880**
Grand TOTAL CUNY		**2,836,482**

DEPARTMENT OF CIVIL SERVICE

Appropriations and Spending
(Thousands of Dollars)

Fund	Adjusted 2007-08	Proposed 2008-09	Change Amount	Change Percent
General	22,791	23,025	234	1.0%
Special	2,300	2,322	22	1.0%
Federal	0	0	0	0.0%
Other	39,460	42,655	3,195	8.1%
Capital	0	0	0	0.0%
Total	64,551	68,002	3,451	5.3%
Cash	23,653	23,922	269	1.1%



Agency Overview:

The Department of Civil Service provides human resource management services to New York State employees and 100 municipal civil service agencies throughout the State. The two primary functions of the Department are to administer employee benefits, including health and disability benefits on behalf of 1.2 million employees, and to provide workforce services to State agencies and job seekers, including job classification, recruitment, testing and training. Other functions provided by the Department include monitoring affirmative action programs, providing medical screenings, developing testing instruments, and job title classification.

Budget Proposal:

In SFY 2008-09 the Department will focus on auditing both health insurance providers and employee claims to determine if the claims submitted reflect the services performed or benefits promised. While this initiative will require six new audit staff, it is anticipated that the estimated cost savings of $5 million resulting from audits will cover associated staffing costs.

The SFY 2008-09 Executive Budget proposes a $3.5 million increase in All Funds appropriations, a 5.3 percent increase over last year's spending. The increase is due to the addition of 11 full time equivalent (FTEs) positions plus salary and other fixed cost increases, offset by savings resulting from the elimination of $200,000 in nonpersonal service costs.

Legislative Changes:

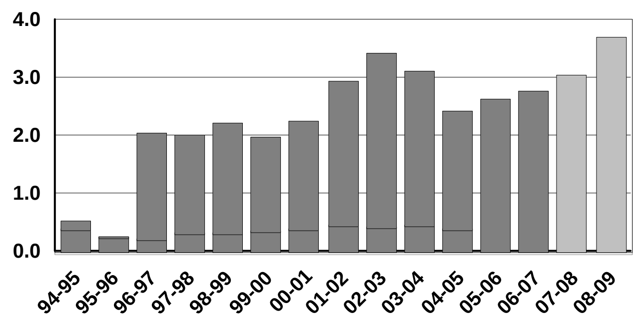
The Executive Budget proposal includes legislation to allow the Department to recover costs associated with its statutory mandate to administer New York City's plan to reduce the number of provisional employees.

Senate Finance Contact:
Lilian Kelly ext. 2931

CONSUMER PROTECTION BOARD

Appropriations and Spending (Thousands of Dollars)				
	Adjusted	Proposed	Change	
Fund	2007-08	2008-09	Amount	Percent
General	0	320	320	0.0%
Special	4,438	4,778	340	7.7%
Federal	0	0	0	0.0%
Other	0	0	0	0.0%
Capital	0	0	0	0.0%
Total	4,438	5,098	660	14.9%
Cash	3,055	3,703	648	21.2%

Millions of Dollars - Disbursements



Agency Overview

The Consumer Protection Board was created to protect the rights of New York State's consumers. The Board represents consumers in utility rate cases and related proceedings, advises the Governor on consumer issues, helps draft legislation to protect consumers, handles complaints and consumer disputes, promotes consumer education and fraud prevention, and maintains New York's Telemarketing "Do Not Call" registry.

Budget Proposal:

The Executive Budget recommends All Funds appropriations of $5.1 million in SFY 2008-09, an increase of $660,000 or 14.9 percent over current levels. The Board's funding increase is primarily the result of two new initiatives:

- Chapter 472 of the Laws of 2007 requires the Consumer Protection Board to establish the Office of the Airline Consumer Advocate to ensure the heath and safety of traveling New Yorkers. Additional funding of $320,000 is allocated for five new full time equivalent positions and for start-up costs associated with this new Office.

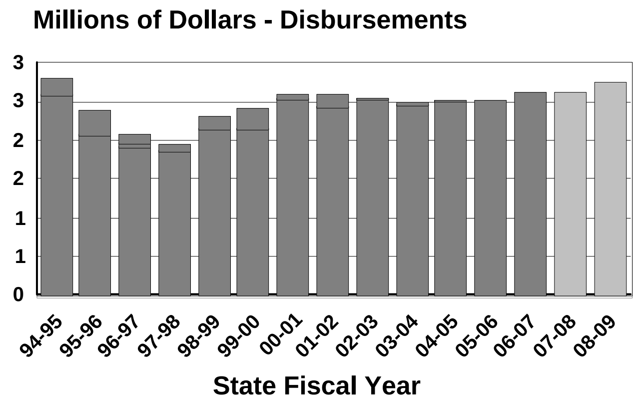
- In response to heightened consumer concern over unsafe product recalls, especially lead-based toys, the Executive Budget recommends two new full time equivalent positions and funding in the amount of $205,000 to enhance the Board's Product Recall Program.

- **Senate Finance Contact:**
- **Lauren King ext. 2935**

STATE COMMISSION OF CORRECTION

Appropriations and Spending
(Thousands of Dollars)

Fund	Adjusted 2007-08	Proposed 2008-09	Change Amount	Change Percent
General	2,645	2,807	162	6.1%
Special	0	0	0	0.0%
Federal	0	0	0	0.0%
Other	0	0	0	0.0%
Capital	0	0	0	0.0%
Total	2,645	2,807	162	6.1%
Cash	2,629	2,753	124	4.7%



Agency Overview

The State Commission of Correction (SCOC), required under New York's Constitution, regulates and oversees the operation and management of State and local correctional facilities and the four Office of Children and Family Services secure juvenile facilities. The Agency's mission is to provide a safe, stable and humane correctional system while maintaining the accountability of correction officials. The Commission is comprised of a three member board appointed by the Governor, with one member designated as chairperson.

Budget Proposal:

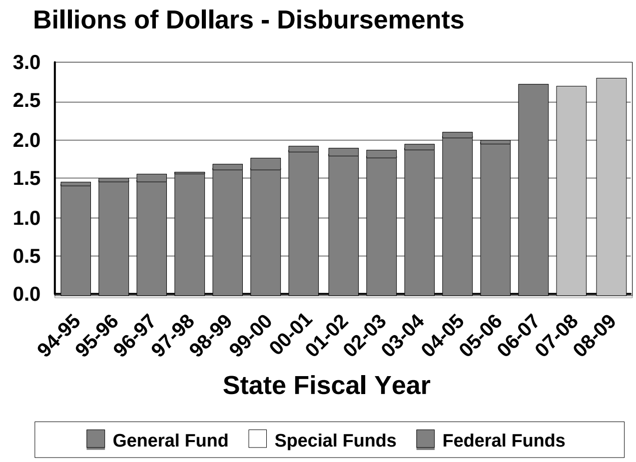
The SFY 2008-09 Executive Budget proposes an increase of $162,000 in General Fund support related to personal service costs for salary adjustments and other operational expenses.

Senate Finance Contact:
Maria LoGiudice ext. 2936

DEPARTMENT OF CORRECTIONAL SERVICES

Appropriations and Spending (Thousands of Dollars)				
	Adjusted	Proposed	Change	
Fund	2007-08	2008-09	Amount	Percent
General	2,479,337	2,511,951	32,614	1.3%
Special	1,450	19,950	18,500	1275.9%
Federal	36,800	38,300	1,500	4.1%
Other	124,058	118,555	(5,503)	-4.4%
Capital	300,000	320,000	20,000	6.7%
Total	2,941,645	3,008,756	67,111	2.3%

Cash	2,702,380	2,797,864	95,484	3.5%



Agency Overview

The Department of Correctional Services (DOCS) is responsible for the secure confinement of convicted felons and the preparation of those confined for successful reintegration into the community.

Budget Proposal:

The SFY 2008-09 Executive Budget includes adjustments to the SFY 2007-08 Enacted Budget appropriations of $16 million for personal service costs associated with binding arbitration awards.

The SFY 2008-09 Executive Budget recommends an All Funds increase of $67.1 million or 2.3 percent over SFY 2007-08, and total General Fund spending is increased by $32.6 million. The Executive recommends an increase of $12 million in General Fund support for mandated salary increases. In addition, the Executive proposes $2.4 million related to the annualization of costs associated with the implementation of the Sex Offender Management and Treatment Act of 2007. The Executive increases spending by $24 million for general facility operational costs, other fixed costs, and energy and technology costs. The SFY 2008-09 Executive Budget provides an increase of $6 million for 238 Full-Time Equivalent (FTEs) positions related to expansions in mental health services, as well as an increase of $13.6 million in increased costs for inmate health care. In addition, $400,000 in support is provided for ten FTEs related to the Central Pharmacy.

The Executive proposes an increase of $450,000 for nine FTEs associated with the opening of three additional transitional service Re-Entry Units similar to the one at the Orleans Correctional Facility. The location of these three units are unknown at this time. In addition, General Fund spending is increased by $1.2 million for 45 FTEs related to an increase of applications to assist with Re-Entry efforts. Also $200,000 is added for six FTEs related to the expansion of the Family Reunion Center Program.

These increases are primarily offset by a savings of $10.4 million associated with the Executive's prison closure proposal (detailed later in this section), and $10 million in savings from the Departments efforts to constrain Correction Officer overtime. In addition, funding is reduced by $5.4 million due to the proposed change in the medical parole process which would result in reduced pharmaceutical and outside hospital costs for DOCS from a reduced inmate population that requires such services. Also $1.6 million in savings is achieved through internal control improvements at Central Pharmacy.

The SFY 2008-09 Executive Budget recommends an increase of $18.5 million in Special Revenue State Operations funding, for 40 FTEs attributable to DOCS offering local jails cook/chill products from the Food Production Center at the Oneida Correctional Facility. In addition, the Executive proposes to decrease the Correctional Industries Program by $5.5 million resulting from actions taken to eliminate the structural deficit within the Correctional Industries Program.

Under the Executive plan, the DOCS workforce would be reduced to 31,603 from 31,756. This reduction of 153 FTEs is primarily due to the proposed facility closures offset by increases in mental health and re-entry programs. The following table lists staffing level changes occurring within DOCS:

Department of Correctional Services
STY 2008-09 Full-Time Equivalent (FTEs)

Program Description	Changes
Expansion of Mental Health Programs	238
Central Pharmacy	10
Additional Technology Staff for Re-Entry applications	45
Three Additional Re-Entry Units	9
Expand Family Reunion Program	6
Use of Edgecombe for low-level technical parole violators	4
Closure of Hudson Correctional Facility	(236)
Closure of Camp Pharsalia	(101)
Closure of Camp Gabriels	(138)
Closure of the Camp at Mt. McGregor	(66)
Transfer of Corcraft Correction Officers to General Fund	117
Subtotal Change in FTEs	**(112)**
Less Camp Reinvestment	36
Transfer of Corcraft Correction Officers to General Fund	(117)
Expand Cook Chill to County Jails	40
Total Change in FTEs	**(153)**

<u>Executive's Prison Closure Proposal:</u>

The SFY 2008-09 Executive Budget includes a proposal for the closure of four facilities of which three are minimum security facilities: Camp Pharsalis located in Chenango County; the Camp at Mount McGregor located in Saratoga County; and Camp Gabriels located in Franklin County. In addition, the Executive proposes the closure of the Hudson Correctional Facility, a medium security facility located in Columbia County. The principal rationale for the closures is the declining prison population. Since 1999, the State's prison population has decreased from a high of almost 71,600 inmates to below 62,500, a decrease of 9,000 inmates.

The Executive anticipates that the closure of the four correctional facilities would generate operating savings of $10.4 million in SFY 2008-09, $33.5 million annually beginning in SFY 2009-10, and approximately $30 million in capital savings. The Executive contends that these savings will help offset the estimated $90.6 million in expenditures that DOCS is required to provide for expanded treatment and other programs mandated by the Legislature for mentally ill inmates and incarcerated sex offenders. The SFY 2008-09 projected savings of $10.4 million is offset by $300,000 for 36 FTEs in reinvestments associated with the Camp closures.

The tables listed at the end of this section outline: the number of employees affected; the estimated cost/savings achieved by the closure; cost/savings in capital needs and, the number of inmates/capacity levels at each of the facilities proposed for closure.

Parole Violator Center Proposal -Edgecombe Correctional Facility:

The SFY 2008-09 Executive Budget proposes that the Edgecombe Correctional Facility, located in Manhattan, be used to hold technical parole violators for up to 30 days. The General Fund increases by $250,000 to support four FTEs proposed to establish a parole violator facility. The Department would contract with licensed providers through the Office of Alcoholism and Substance Abuse Services (OASAS) to deliver treatment programs in the facility. The facility would have the capacity to hold 100 parolees with anticipated expansion to hold 130 parolees. DOCS would provide an assessment on parolees entering the facility for placement in a drug intervention, cognitive behavior or drug prevention program, in addition to receiving case management follow-up once released.

Aid to Localities:

DOCS is required to take custody of felons who have been sentenced to State prison and remain in local jails, within 10 days after being notified that an inmate is ready for transfer. Currently, the State reimburses counties for housing these prisoners, referred to as "State-ready" inmates, at a daily rate of $40 per inmate. The SFY 2008-09 Executive Budget proposal does not change the amount of reimbursement to localities. The Executive eliminates a total of $409,000 in Legislative adds from SFY 2007-08 (Consortium of the Niagara Frontier $229,000; Osborne Association $131,000; Osborne Association Family Resource Center $49,000).

State Criminal Alien Assistance Program (Federal):

The State will receive $34 million in Federal Funds in SFY 2008-09 to incarcerate illegal aliens who have committed a crime in New York State an increase of $2.5 million from SFY 2007-08. In addition, the SFY 2008-09 Executive Budget eliminates $1 million from a nonrecurring Federal appropriation for expenses incurred by the Department of Correctional Services to incarcerate illegal aliens for the grant periods prior to 1999. The Executive proposes an increase of $100,000 in Federal funding for the Federal Youth Offender Grant Program.

Capital Projects:

The SFY 2008-09 Executive Budget recommends an increase of $20 million in Capital funding. Increased costs associated with construction materials, maintenance of aging infrastructure and an increased ability to complete projects earlier than scheduled are responsible for $32 million of that increase, offset by reductions of $10 million in health and safety and $2 million in program improvements. In addition, $36 million is included under the

Preservation of Facilities Capital Projects for mental health projects.

Article VII Legislation:

The SFY 2008-09 Executive Budget includes the following Article VII proposal:

Revision to Medical Parole Statute: The proposed legislation would revise the medical parole statute to authorize the release of State inmates who are seriously ill and incapacitated. Under Executive Law, Section 259-r of the inmates with terminal illnesses can receive a review by the Parole Board for compassionate release. The Executive proposes amending current law to allow for release of inmates when their health condition, even if not terminal, is so serious that the inmates no longer pose a threat to public safety. Provision of the changes proposed by the Executive are as follows:

- Expand the eligibility of inmates who have a significant and permanent non-terminal condition, disease or syndrome which renders them physically or cognitively incapacitated to create a threat to public safety;

- Enables an inmate's spouse, relative, attorney or advocate, as well as DOCS staff to initiate a medical parole application for the inmate;

- Amend medical parole examination standard to require a physician to assess an inmates inability to perform normal activities of daily living rather than an inmate's inability to care for themselves; and,

- Inclusion of the Department of Health at the option of DOCS and the Division of Parole, in creating discharge plans and assisting with the placement of eligible medical parolees.

These changes to existing law would also result in operational improvements in DOCS relating to medical services provided, resulting in projected savings of $5.4 million in SFY 2008-09.

Senate Finance Contact
Maria LoGiudice ext. 2936

SFY 2008-09 Executive Proposed Correctional Facility Closures – Employee Impact

Employee Impact:	Camp Pharsalia (Chenango)	Camp at Mt. McGregor (Saratoga)	Camp Gabriels (Franklin)	Hudson Medium (Columbia)	Total
Security	67	56	93	166	**382**
Program	11	2	12	23	**48**
Support	22	5	30	39	**96**
Health	1	3	3	8	**15**
Total	**101**	**66**	**138**	**236**	**541**

Note: The number of FTE associated with the proposed facilities for closure amounts to 541 with 36 staff reinvested at other facilities.

Prison Closure Cost/Savings SFY 2008-09/SFY 2009-10		
	Cost/Savings	
Facility	**SFY 2008-09**	**SFY 2009-10**
Camp Pharsalia	$1,800,000	$6,000,000
Camp at Mt. McGregor	$2,800,000	$4,200,000
Camp Gabriels	$1,100,000	$9,000,000
Hudson	$5,000,000	$15,700,000
Sub-Total	$10,700,000	$34,900,000
Less Reinvestment	(300,000)	(1,400,000)
Total Savings:	**$10,400,000**	**$33,500,000**
Note: The Hudson Work Release Program would continue to operate under the Executive plan.		

SFY 2008-09 Prison Closure Capital Five-Year Cost/Savings	
Facility	**Capital Costs/Savings**
Camp Pharsalia	$900,000
Camp at Mt. McGregor	$200,000
Camp Gabriels	$5,175,000
Hudson	$21,775,000
Total Savings:	**$28,050,000**

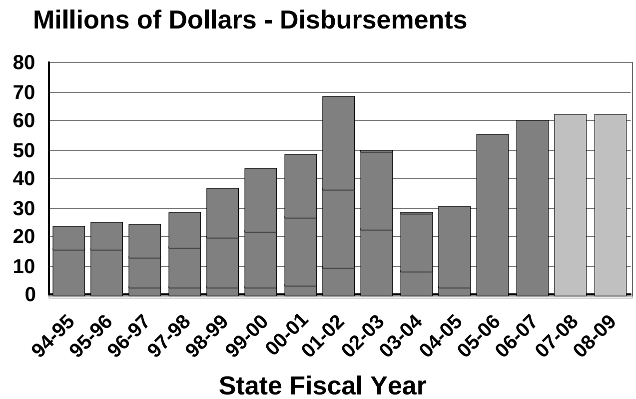
SFY 2008-09 Executive Proposed Correctional Facility Closures - Capacity/Inmate Impact

Facility	County	Total Number of Beds	Total Number of Inmates	Capacity Level
Camp Pharsalia	Chenango	258	165	63.95%
Camp at Mt. McGregor	Saratoga	300	156	52.00%
Camp Gabriel	Franklin	336	181	53.87%
Hudson	Columbia	422	414	98.10%

Source: Department of Correctional Services - Daily Population Capacity Report as of 1/15/08.

CRIME VICTIMS BOARD

Appropriations and Spending (Thousands of Dollars)				
Fund	Adjusted 2007-08	Proposed 2008-09	Change Amount	Change Percent
General	4,596	0	(4,596)	-100.0%
Special	32,938	39,187	6,249	19.0%
Federal	38,448	38,448	0	0.0%
Other	0	0	0	0.0%
Capital	0	0	0	0.0%
Total	75,982	77,635	1,653	2.2%
Cash	62,709	62,483	(226)	-0.4%



Agency Overview

The Crime Victims Board (CVB) serves as the lead State agency in assisting persons who have been the victims of crime, particularly crimes of a violent nature. The Board's principal mission is to provide financial assistance to victims for financial losses they incur as a result of a crime. The Board also provides grants to local agencies who assist witnesses and victims and serves as the State's advocate for crime victims' rights, needs and interests.

Budget Proposal:

The SFY 2007-08 Enacted Budget is adjusted to reflect a decrease of $4.6 million in the General Fund from the transfer of all General Fund State Operations to the Special Revenue Fund.

The SFY 2008-09 Executive Budget recommends an All Funds increase of $1.6 million.

Special Revenue funding increases by $286,000 to support adjustments for continuing current programs, including salary and other fixed cost adjustments, and by $1.8 million for costs associated with fringe benefits and other indirect costs. The Executive eliminates a $500,000 Legislative item for programs serving victims of sexual assault. Funding for these programs was awarded pursuant to a competitive process.

Local Assistance funding, including $260,000 supported by Special Revenue State Operations and $1.8 million supported by Federal Funds, is transferred to State Operations, to allow for the transfer of funds among State agencies.

Article VII Legislation:

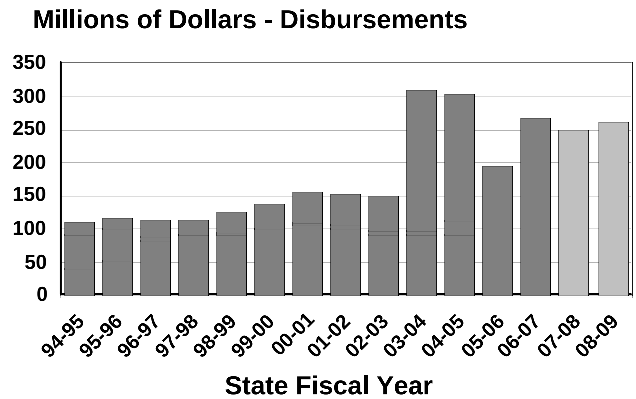
The Executive proposes to expand the uses of funds deposited into the Criminal Justice Improvement Account (CJIA). Currently, funds are used exclusively to fund crime victims programs administered by the Crime Victims Board. The Executive proposes to use the fund for a variety of programs that aim to reduce violent crime, and prevent future victimization, and clarifies that these resources also may be used to support operations of the Crime Victims Board. Full funding for crime victim programs would continue. *This proposal is further detailed under the Division of Criminal Justice Services Agency Detail section of this report.*

Senate Finance Contact:
Maria LoGiudice ext. 2936

DIVISION OF CRIMINAL JUSTICE SERVICES

Appropriations and Spending
(Thousands of Dollars)

Fund	Adjusted 2007-08	Proposed 2008-09	Change Amount	Change Percent
General	148,658	126,406	(22,252)	-15.0%
Special	50,100	55,401	5,301	10.6%
Federal	45,350	49,300	3,950	8.7%
Other	0	0	0	0.0%
Capital	0	0	0	0.0%
Total	244,108	231,107	(13,001)	-5.3%
Cash	248,655	259,754	11,099	4.5%



Agency Overview

The Division of Criminal Justice Services (DCJS) is charged with increasing the effectiveness of the criminal justice system. The Division identifies fingerprints and maintains computerized criminal history and statistical data for Federal, State and local law enforcement agencies, provides training and management services to municipal police and peace officers, conducts criminal justice research and analysis, and distributes local aid to various components of the criminal justice system including prosecution, defense services, and local law enforcement.

Budget Proposal:

The SFY 2008-09 Executive Budget includes adjustments to the SFY 2007-08 Enacted Budget appropriations to reflect a transfer of $2 million from the Division of Parole related to Re-Entry funding.

The SFY 2008-09 Executive Budget recommends an All Funds decrease of $13 million and a reduction of $22 million in General Fund appropriations. Increases in the Executive proposal include $1.1 million associated with costs for agency-wide replacement of servers and networks, and $560,000 for costs related to information technology maintenance. The Executive also provides $886,000 for six Full-Time Equivalent (FTE) positions associated with Local Crime Analysis Centers in Erie, Monroe, Onondaga, and Albany counties. In addition, the Executive proposes $214,000 in increased rent expenses and $163,000 for inflationary costs associated with travel, supplies and other fixed costs. These increases are offset by $2.2 million associated with one-time start-up funding for Local Crime Analysis Centers from SFY 2007-08.

The Executive proposes an increase of $4 million in Federal appropriations. Increases of $5 million for Miscellanous Federal Discretionary Account, $3.5 million in the Crime Identification and Technology Account, and $400,000 in Federal Byrne Justice Assistance Grant Programs, are offset by a reduction of $2.2 million for the Juvenile Justice and Delinquency Prevention Formula Program, $2.3 million for

Federal Violence Against Women Discretionary Programs, and $500,000 for the Juvenile Accountability Incentive Block Grant. These Federal appropriations have been reduced to reflect anticipated size of the corresponding Federal awards.

Local Assistance:

The SFY 2008-09 Executive Budget eliminates all legislative adds, totaling $5.6 million (see Table A at the end of this section), with the exception of $2.6 million for the Westchester County Policing Program and $1.4 million for the New York State Defenders Association. In addition, the Executive eliminates $2.2 million in funding for two local aid programs, $285,000 for the DARE Program and $2 million for DNA Training Program. The SFY 2008-09 Executive Budget proposes a total General Fund decrease of $22.9 million in funding for Aid to Localities. This decrease results from the Executive shifting $18.5 million in funding from the General Fund to other Special Revenue Aid to Localities Accounts. These fund shift can be seen below in Table B.

TABLE B
SFY 2008-09 Proposed Fund Shifts

Aid to Locality Program	SFY 2008-09 Proposed Amount Shift	Fund Shift Account
Operation Impact	$8,551,000	CJIA
Crime Labs	$8,000,000	Federal Byrne/JAG
Aid to Prosecution	$1,000,000	LSAA
Aid to Defense	$1,000,000	LSAA
Total	**$18,551,000**	

Note: Criminal Justice Improvement Account (CJIA)
Legal Services Assistance Account (LSAA)

In addition, the Executive consolidates current year $2 million appropriation for the Upstate Crime Initiative into Operation IMPACT funding, bringing the total proposed funding for IMPACT to $17.5 million.

The Executive reduces the New York Prosecutors Training Institute (NYPTI) appropriation by $300,000 and transfers this amount to a new Witness Protection Program support by $200,000 for total funding of $500,000. In addition, the Executive proposes an increase of $800,000 for three new Re-Entry Task Forces to be located in Onondaga, Niagara, and Dutchess counties. The Executive proposes additional funding of $3.5 million for District Attorney Salaries contingent on Judicial salary raises.

The SFY 2008-09 Executive Budget proposes Article VII Legislation that expands the allowable uses of the Criminal Justice Improvement Account (CJIA), currently used for crime victim services, to certain local assistance programs once funded out of the General Fund and Crime Victims Board operations. Table C below lists proposed programs to be funded from the CJIA fund. In addition, the Executive eliminates $1.2 million in legislative adds for domestic violence funding from the CJIA in SFY 2007-08.

TABLE C
SFY 2008-09 Proposed Criminal Justice Improvement Account Funding

Programs to be Funded under the Criminal Justice Improvement Account	SFY 2008-09 Proposed Amount
Crime Victims Board	$25,679,000
Crime Victims Board State Operations	$6,520,000
Operation IMACT	$8,551,000
Total Spending	**$40,750,000**

In addition, the Executive proposes shifting a portion of local assistance funding for Aid to Prosecution and Aid to Defense, previously funded from General Fund appropriations, to the Legal Services Assistance Fund. The Executive eliminates funding for two programs, funded by the Legislature, including $1.5 million for District Attorney Retention and Recruitment and $3 million for civil legal services. The Executive proposes transferring a portion of the Aid to Prosecution and Aid to Defense from the General Fund ($2 million total) to the Legal Services Assistance Account, in addition to consolidating the $1.5 million District Attorney Retention and Recruitment program into Aid to Defense. The Executive further proposes to fund the civil legal services program, and the creation of a new office of Indigent Defense from the Department of State (DOS) with revenues from the Legal Services Assistance Account (see Table D at the end of this section).

The Office of Defense Services created under DOS would be required to review the current payment process for 18-b assigned counsel; and coordinate and provide free and/or low-cost training to public defenders statewide. The proposal would also cap the funds available for distribution to counties from the Indigent Legal Services Fund at $72 million in SFY 2008-09, with any excess balance held in escrow by the Comptroller until a more equitable distribution plan is developed by the new Office. It is the intent of the Office to monitor and improve the current system of delivering indigent legal services while most effectively utilizing available State funds for that purpose (*This proposal is further detailed under the Department of State Agency Detail section of this report*).

The SFY 2008-09 Executive Budget further proposes a $1 million reduction in Special Revenue Funds for the Local Agency Law Enforcement Account - State Police Motor Vehicle Law Enforcement Fund. This decrease corresponds to the Executive's proposal to increase the Motor Vehicle Law Enforcement Fee, but limit DCJS' share of this funding.

Justice Assistance Grant (JAG) / formally Edward Byrne Memorial State/Local Law Enforcement Program:

The SFY 2008-09 Executive Budget anticipates $12 million in funding for the Federal Justice Assistance Grant Program (JAG) formally known as the Edward Byrne Memorial Grant Program, however this amount includes an increase of $5.2 million in unanticipated SFY 2007-08 funding. General Fund support is reduced by $8 million from the transfer of funds related to crime laboratories, to the Federal JAG Program, as well as reducing over all funding for crime laboratories by $1 million. The Executive includes the same appropriation language in SFY 2008-09 as the previous year for the distribution of JAG funding through a competitive process. Historically these funds have been allocated in a discretionary manner by the Legislature and the Executive to fund priority local law enforcement initiatives. The Executive proposal does not specifically include the Legislature in the grant allocation process. It is anticipated that the Federal Government will reduce funding for JAG by 67 percent, resulting in a reduction to the State's allocation amount.

Article VII Legislation:

The SFY 2008-09 Executive Budget includes Article VII provisions for the following:

Expanded Use of Funds Deposited into the Criminal Justice Improvement Account (CJIA): The Executive proposes to use the fund for a variety of programs that aim to reduce violent crime, and prevent future victimization and clarifies that these resources may also be used to support operations of the Crime Victims Board. Currently, funds in the CJIA are used exclusively to fund crime victim programs. This proposal provides a funding system for ongoing and new criminal justice and victim services programs, while reducing the need for General Fund support by $15 million in SFY 2008-09.

Creation of a Witness Protection Program: This bill would create a witness protection program in the Division of Criminal Justice Services to be operated in consultation with District Attorneys. In past years, DCJS contracted with the New York Prosecutor's Training Institute to administer a program to provide some funding to prosecutors for protective services. The program would focus on protection of vulnerable witnesses and victims, including those in domestic violence and sexual exploitation cases, and those testifying against violent or dangerous criminals. This bill would authorize a court to issue a protective order to prevent the disclosure of the identity of a victim or witness, and increases the penalty for the crime of tampering with a witness in the third or second degree and intimidating a victim or witness in the third or second degree. General Fund support of $500,000 is included for this program.

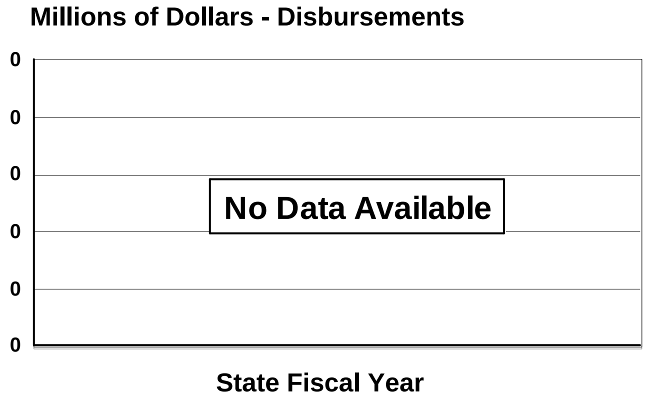
Senate Finance Contact:
Maria LoGiudice ext. 293

TABLE A	
Local Assistance Programs for which the Executive Eliminates Funding	
Program	**Amount**
Indigent Parolee	($580,000)
Education and Assistance Corporation	($617,000)
Erie County District Attorney (Comprehensive Assault Abuse Rape Program)	($75,000)
Finger Lakes Law Enforcement Initiatives	($300,000)
Onondaga County Witness Protection Program	($50,000)
Onondaga County Information Technology	($184,000)
Westchester County District Attorney Youth Violence Gang Intervention Program and NarcoPro Tech Program	($200,000)
Mercy College Bachelor of Science Degree in Homeland Security	($200,000)
Catholic Family Center of Rochester	($250,000)
CopsCare Safety Means Abduction Registration and Training SMART program	($300,000)
Electronic Recording of Custodial Interrogations	($100,000)
Manhattan District Attorney Crimes Against Revenue Program	($198,000)
Onieda County District Attorney	($98,000)
New York Association for New Americans (NYANA)	($200,000)
Schenectady Model of Homeland	($548,000)
Dutchess County Sheriff Department Law Enforcement	($100,000)
Nassau County District Attorney Medicaid Fraud Unit	($750,000)
Southern Tier Regional Drug Task Force	($300,500)
New York Guard for training and operational initiatives	($85,000)
For defense services in the county of Schoharie	($86,000)
For defense services in the county of Seneca	($77,000)
For defense services in the county of Wayne	($291,000)
Total Reduction	**($5,589,500)**

TABLE D SFY 2008-09 Proposed Funding Under Legal Services Assistance Account		
Programs to be Funded under the Legal Services Assistance Account - Special Revenue	**SFY 2007-08 Enacted Amount**	**SFY 2008-09 Proposed Amount**
Aid to Prosecution*	$2,500,000	$5,000,000
Aid to Defense	$2,500,000	$3,500,000
DA Tuition Reimbursement Program	$1,500,000	$1,500,000
District Attorney Retention and Recruitment	$1,500,000	$0
Legal Services (Legislative adds)	$3,000,000	$0
Subtotal DCJS Spending:	**$11,000,000**	**$10,000,000**
Other Agency Spending from the Legal Services Account:		
Indigent Defense Services (DOS)	$0	$3,000,000
Civil Legal Services (DOS)	$0	$1,000,000
Subtotal DOS Spending:	**$0**	**$4,000,000**
Grand Total:	**$11,000,000**	**$14,000,000**
***Executive proposes the consolidation of $1.5 million in SFY 2007-08 for the District Attorney Recruitment and Retention Program into the Aid to Prosecution funding for SFY 2008-09.**		
Note: Executive proposes $2 million transfer from General Fund to: $1 million for Aid to Prosecution; and $1 million for Aid to Defense.		

DEFERRED COMPENSATION BOARD

Appropriations and Spending (Thousands of Dollars)				
	Adjusted	Proposed	Change	
Fund	2007-08	2008-09	Amount	Percent
General	176	182	6	0.0%
Special	724	781	57	7.9%
Federal	0	0	0	0.0%
Other	0	0	0	0.0%
Capital	0	0	0	0.0%
Total	900	963	63	7.0%



Agency Overview

The State's Deferred Compensation Plans help public employees achieve their retirement savings goals through offering quality investment options and investor education that will help build well-diversified portfolios. Voluntary employee salary deferral has increased by more than $60 million, or eight percent, during the past fiscal year. In addition, during the last fiscal year 70 local governments became new participating employers.

The three member Deferred Compensation Board provides administration and oversight of Deferred Compensation Plans including both State and locally operated plans. The Majority Leader of the Senate, Speaker of the Assembly and the Executive each appoint one member of the Board. Local plans are governed by local committees but must operate in compliance with the Board's rules. The Board is supported by a professional staff that provides direct service through its office, promulgates rules that govern the locally administered programs and oversees administrative and professional services provided by contract staff.

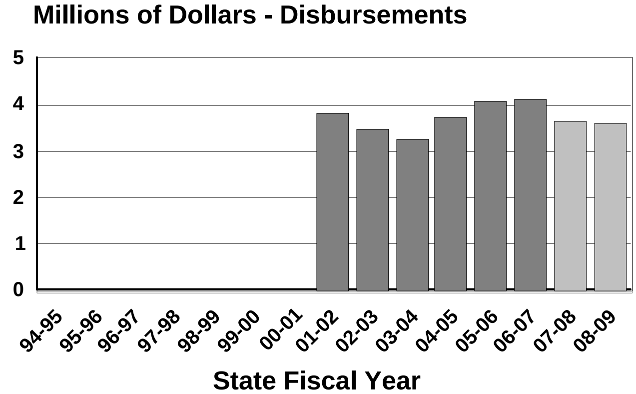
Budget Proposal:

The Executive Budget recommends All Funds appropriations of $963,000 in SFY 2008-09, a seven percent increase over current year funding attributed to inflationary adjustments for salary and other fixed costs. The recommended staffing level of four remains unchanged for SFY 2008-09.

Senate Finance Contact:
Lilian Kelly ext. 2931

DEVELOPMENTAL DISABILITIES PLANNING COUNCIL

Appropriations and Spending (Thousands of Dollars)				
	Adjusted	Proposed	Change	
Fund	2007-08	2008-09	Amount	Percent
General	0	0	0	0.0%
Special	0	0	0	0.0%
Federal	4,550	4,550	0	0.0%
Other	10	10	0	0.0%
Capital	0	0	0	0.0%
Total	4,560	4,560	0	0.0%
Cash	3,621	3,617	(4)	-0.1%



Agency Overview

The New York State Developmental Disabilities Planning Council (DDPC) is funded under the Federal Disabilities Assistance and Bill of Rights Act of 1975. The Act authorizes the Council to prepare, implement and monitor a plan for improving the quality of life for people with developmental disabilities. The Council comprises 34 current members who have been appointed by the Governor to three-year staggered terms.

Senate Finance Contact:
David K. King ext. 2937

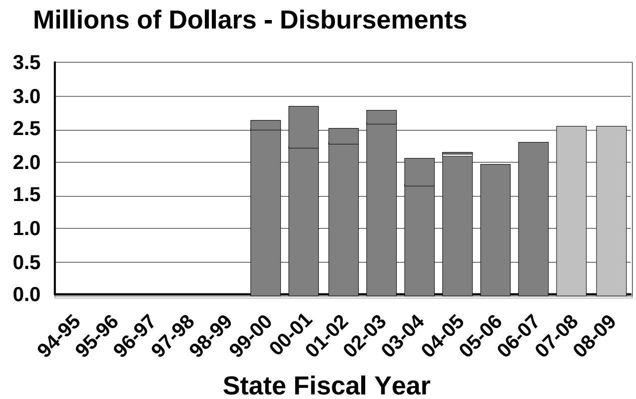
Budget Proposal

The SFY 2008-09 Executive Budget recommends appropriations of $4.5 million in Federal Funds which reflects no change from SFY 2007-08 and is based on the level of anticipated Federal Funding. The recommended funding is sufficient to support the Council's role in coordinating information about persons with developmental disabilities and the services available to them, and in overseeing grant funding. The Council's staffing level remains unchanged from SFY 2007-08 at 18 positions.

OFFICE FOR THE PREVENTION OF DOMESTIC VIOLENCE

Appropriations and Spending
(Thousands of Dollars)

Fund	Adjusted 2007-08	Proposed 2008-09	Change Amount	Change Percent
General	2,526	2,549	23	0.9%
Special	70	70	0	0.0%
Federal	100	100	0	0.0%
Other	890	890	0	0.0%
Capital	0	0	0	0.0%
Total	3,586	3,609	23	0.6%
Cash	2,556	2,563	7	0.3%



Agency Overview

The Office for the Prevention of Domestic Violence (OPDV) is responsible for the development of Statewide policies to protect victims of domestic violence. In addition, the Office conducts family violence training programs for judges, prosecutors, police, social workers and health care providers.

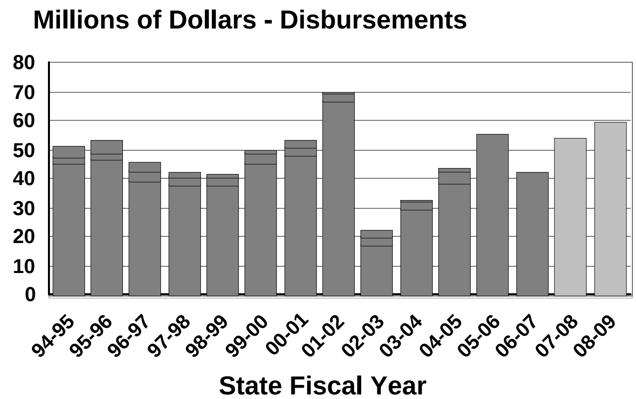
Budget Proposal:

The SFY 2008-09 Executive Budget recommends All Funds appropriations of $3.6 million, an increase of $23,000 or 0.6 percent from the current fiscal year. The increase reflects salary and other fixed cost increases. The proposed budget continues an Internal Service Fund appropriation of $890,000 supporting domestic violence training services that were previously funded by other agencies.

The overall level of funding for local programs remains unchanged from the current year, at $927,000.

DEPARTMENT OF ECONOMIC DEVELOPMENT

Appropriations and Spending (Thousands of Dollars)				
	Adjusted	Proposed	Change	
Fund	2007-08	2008-09	Amount	Percent
General	48,395	56,894	8,499	17.6%
Special	0	0	0	0.0%
Federal	1,000	1,000	0	0.0%
Other	5,415	5,390	(25)	0.0%
Capital	0	0	0	0.0%
Total	54,810	63,284	8,474	15.5%
Cash	53,968	59,377	5,409	10.0%



Agency Overview:

The Department of Economic Development (DED), together with the Empire State Development Corporation (ESDC), develops and implements programs to assist New York's businesses. The Department operates ten regional offices, which it shares with ESDC, located in Troy, Buffalo, Rochester, Syracuse, Utica, Binghamton, New Windsor, Plattsburgh, Hauppauge and New York City and satellite office in Watertown and Elmira.

In addition to assisting individual businesses at its regional offices, the Department is responsible for the following Statewide programs and services:

- Promoting State tourism resources;
- Promoting International Trade;
- Administering Empire Zones;
- Procurement opportunity newsletter;
- Pollution prevention and compliance assistance;
- Managing the Linked Deposit program;
- Developing recycling markets.

Budget Proposal:

The SFY 2008-09 Executive Budget recommends $63.3 million in All Funds appropriations for DED, an increase of $8.5 million from SFY 2007-08. This net change is a result of $11.3 million in proposed spending for three programs plus 15 new staff positions, offset by the elimination of $3.1 million in local assistance spending.

The Executive proposes increasing DED staff by 15 full time equivalent (FTEs) positions to 230 FTEs for SFY 2008-09. According to the Executive's request DED will also maintain approximately 70 employees on a contract basis. The Executive's proposal allows $1.5 million allocated for 15 additional FTEs to be transferred to ESDC to allow for flexibility in staffing between DED and ESDC.

The Executive proposes increased funding for the International Trade Program from $1.2 million to $3.5 million, an almost three-fold increase in funding for this program.

Currently, DED has offices in Montreal, Toronto, London, Shanghai and Tokyo with staff that exclusively promote the interests of the State of New York. In other countries, such as Brazil, Chile and South Africa, the State contracts with a trade representative that also represents other states. The additional $2.3 million would be used to gain exclusive trade representation for New York State and open new offices in Asia, Europe, Russia and the Middle East.

In addition, the Executive recommends $3.5 million for a new Upstate Business Marketing campaign to highlight Upstate's assets and actively promote connections with prospective businesses and identify and market relocation sites.

SFY 2008-09 the Executive Budget recommends $17 million for the I Love NY advertising campaign, an increase of $4 million for contractual services, including advertising development and media purchases, to $17 million.

The SFY 2008-09 Executive Budget proposal eliminates funding for the following local assistance programs:

- Local Empire Zone administration ($2.3 million);
- Adirondack North Country Association ($300,000);
- Griffiss Local Development Corporation ($150,000);
- Western New York Business Marketing ($300,000).

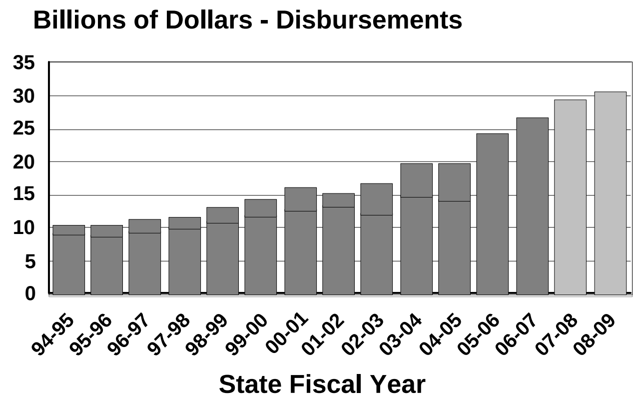
The Executive Budget recommends maintaining funding at SFY 2007-08 levels for the following DED programs:

- Explore NY matching grants program ($1 million);
- Local tourism matching grants program ($5.7 million);
- Gateway Information Centers at Beekmantown and Binghamton ($400,000);
- Small Business Pollution Prevention and Environmental Compliance Assistance Program ($1.2 million).

Senate Finance Contact:
Lilian Kelly ext. 2931

STATE EDUCATION DEPARTMENT

Appropriations and Spending (Millions of Dollars)				
	Adjusted	Proposed	Change	
Fund	2007-08	2008-09	Amount	Percent
General	17,956	19,149	1,193	6.6%
Special	7,867	8,131	264	3.4%
Federal	4,087	4,169	82	2.0%
Other	27	30	3	11.1%
Capital	78	56	(22)	-28.2%
Total	30,014	31,535	1,521	5.1%
Cash	29,344	30,763	1,419	4.8%



Agency Overview

The State Education Department (SED) is overseen by the 16 member Board of Regents that has broad powers to govern the education policy of the State, in accordance with Article XI of the New York State Constitution. The Board of Regents and the Department's mission is to oversee public elementary and secondary education programs throughout New York State and to promote goals for educational excellence.

Budget Proposal:

The SFY 2008-09 Executive Budget provides All Funds appropriations of $31.5 billion for the State Education Department, representing a $1.52 billion increase or five percent over SFY 2007-08.

The Executive recommends increases of $1.19 billion for the General Fund and $330 million for Special Revenue Funds over the SFY 2007-08 Enacted Budget. The additions are primarily in the Elementary, Middle, Secondary Education and Continuing Education programs reflective of a $1.45 billion school year increase in school aid largely made up of an $898 million increase in Foundation aid and an $88 million appropriation increase for the STAR program and related STAR Rebate Checks. The Executive also proposes increases in Universal Pre-kindergarten of $78 million and an increase of $347 million for school construction and transportation services.

In addition, the Executive proposes a decrease of $26 million in traditional lottery funds, and a $203 million increase in Video Lottery Aid. Also included is an increase of $73 million in Federal Funds, and a $22 million decline for Capital Project funding.

State Operations:

The Executive Budget for SFY 2008-09 recommends a staffing level of 3,287 FTEs for the State Education Department. This FTE level represents a 113 increase from SFY 2007-08. These additional positions include 50 new FTEs funded from Federal funds in VESID and 30 FTEs in the Office of Cultural Education which are temporary positions the Executive is proposing to make permanent. An additional twenty-nine FTEs are added throughout the agency.

<u>Elementary, Middle, Secondary, and Continuing Education Program:</u>

The Executive proposes a $1.47 billion All Funds increase for this program over SFY 2007-08. The increase is largely the result of a fiscal year addition of $1.16 billion to General Support for Public Schools (GSPS). Special Revenue Funds are also increased by $247 million.

<u>School Aid:</u> The Executive Budget proposes to increase school aid by $1.45 billion, bringing the total funding to $21 billion for the 2008-09 school year. The largest component of this increase is an additional $898 million for the second year installment of Foundation Aid.

<u>Foundation aid (+$898 million)</u>: Foundation aid increases by $898 million under the Executive proposal. This represents approximately $118 million less than present law would have driven. The Executive reduced the overall phase-in for Foundation aid for all school districts. Also the Executive reduced the scheduled Foundation aid increase by lowering the minimum increase from three percent to two percent for save-harmless districts. In addition the Executive reduced state aid ratios for certain school districts which increased the number of save-harmless districts to 206 (there were 150 save-harmless districts in the 2007-08 school year). The Executive also enhanced aid ratios for high needs school districts. These enhanced ratios provide a windfall to those districts compared to present law calculations.

*<u>Building aid (+$174 million)</u>***:** The Executive fully funded present law for Building aid for 2008-09. However, the Executive proposes to eliminate the Building aid ratio selection beginning with projects approved by voters after July 1, 2008. Also, the Governor proposes a change for New York City Building aid to extend to New York City payment timing provisions for new capital construction that currently apply to the rest of state. In addition the Executive proposes to discontinue Reorganization Building aid for new projects which are approved by voters ten years after the school district reorganization.

*<u>High Tax Aid (+$0 million)</u>***:** The Executive maintains funding for High Tax aid but redistributes aid between school districts compared to the 2007-08 distribution. This new distribution methodology relies on residential tax effort. However the methodology also requires districts to meet minimum spending requirements and be below certain wealth levels in order to qualify for this aid category.

<u>Private Excess Cost aid / High Cost Excess Cost aid (+$38 million):</u> The Executive proposes to fund present law for both aid categories.

<u>Supplemental Excess Cost aid (-$19.62 million)</u>: The Executive eliminates this aid category which provided additional aid for 90 school districts in 2007-08 with increasing special education enrollment and costs which are not being fully funded under the Foundation aid formula.

<u>Academic Achievement Grants (+$99.11 million)</u>: The Executive increases education grants by $90 million for New York City (total $178 million proposed for NYC). The grant for Yonkers is increased from $8.5 million to $17.5 million.

<u>BOCES aid (-$31 million)</u>: BOCES aid is cut by $31 million from 2007-08 levels. The Executive proposal alters the calculation of BOCES shared services aid ratio. This change reduces aid reimbursements to certain school districts while other school districts will receive enhanced aid ratios compared to current law.

Transportation Aid (+$108 million): The Governor fully funded the present law increase in Transportation aid.

Special Services aid (+$39 million): The Executive proposal increases funding for the Career Education portion of Special Services aid.

Universal Pre-k (+$78 million): The Executive proposes to expand Universal Pre-kindergarten by $78 million for the 2008-09 School Year. The Executive proposes three tiers for expansion of this program based upon previous school district participation levels in the Universal Pre-kindergarten program.

Charter School Transition aid (+$870,000): The Executive fully funds present law for Charter School Transition aid which provides additional state aid to fourteen school districts which have more than two percent of their students enrolled in charter schools.

Instructional Materials (Textbook, software, library materials) and Hardware Aid (+$440,000): The Executive fully funds present law aid levels for these categories.

Full Day Kindergarten Incentive Grants ($1.55 million): The Executive fully funds present law. The Full Day Kindergarten study grants are also maintained at $2 million.

Reorganization Operating aid (+$2.86 million): The Executive funds present law aid levels for this formula.

Non-GSPS Programs:

Private Schools for the Blind & Deaf Section 4201 Schools (+$4.73 million): The Executive proposes a $4.73 million increase in Federal funds for the eleven private schools that provide services for the deaf, blind and children with multiple disabilities. State funds for these programs remain at SFY 2007-08 levels.

Preschool Special Education (Section 4408 & 4410) (+$18.4 million): The Executive is proposing to limit the growth in Preschool costs borne by the counties. Currently, the State Pays 59.5 percent of the costs of this program and counties contribute the remaining 40.5 percent. The Executive's plan limits growth in local costs by restricting the increase in county costs for 2007-08 (reimbursed in SFY 2008-09) to no more than four percent over the previous year. The State will fund Preschool Special Education costs that exceed the four percent growth. This cap will reduce county liability for this program statewide by $20 million in SFY 2008-09.

The Executive also proposes to shift the programmatic responsibility for preschool child evaluations and administration costs associated with the Committee of Preschool Education (CPSE) to school districts. The effect of this proposal would be to shift to school districts $46 million in costs that are currently borne by the State for SFY 2008-09.

Nonpublic School Aid (+$15 million): This program is funded at $142.4 million for 2008-09. This program reimburses private schools for the cost of undertaking activities required by the State (attendance, standardized exams, etc...). This additional $15 million fully funds the cost of new attendance taking requirements that were initially added in SFY 2007-08.

Adult Literacy Program (-$2 million): The Executive proposes $5.3 million in funding for competitive grants. The grants will be given to community based organizations, literacy volunteer organizations, two/four year colleges and libraries.

After School Programs /21st Century Learning Centers (+$10 million): The Executive proposes $10 million in new funding to provide academic enrichment outside of regular school hours. The program will target children in high poverty and low-performing schools.

Healthy Schools Program (+$5 million): The Executive proposes $5 million in new funding to increase the nutritional quality of school meals and improve access and affordability. An increase in reimbursement will allow children receiving reduced price meals to receive meals at no cost.

Missing Children Education Program (-$1 million): The Executive proposes cutting the $1 million in funding and eliminating this program.

Worker Education Programs (+$0): The following categories are maintained at 2007-08 levels:

- Apprenticeship Training ($1.8 million);
- Consortium for Workers Education ($11.5 million); and
- Workplace Literacy ($1.3 million).

Adult Basic Education (+$0): The Executive budget maintains the current level of funding for this program ($2 million).

Health Education Programs (+$0): The Executive proposes to sustain this program at the 2007-08 level ($750,000).

Math and Science Initiatives (+0): The Executive maintains the $10 million in funding targeted at increasing qualified Math and Science teachers in schools. The definition of uses for the funding is expanded to include, pre-engineering, and advanced hands-on learning opportunities.

Autism Center (-$500,000): This program was funded at $1 million in the SFY 2007-08 State Budget. This Center based at the University at Albany operates teacher training programs for special education teachers in order to better provide an appropriate educational program for autistic children. The Executive reduces funding for this program by $500,000.

New Educational Programs

Tuition Free SUNY/CUNY Syracuse Demonstration Program: The Executive has proposed to provide free SUNY and CUNY attendance (tuition and fees) to any graduate from the Syracuse City School District provided certain academic requirements are met. In order to qualify a student shall:

- attend 12th grade at the Syracuse School District in 2008-09 or thereafter;
- graduate from high school or meet high school graduation requirements from Syracuse;
- matriculate at a SUNY or CUNY school; and
- have met state standards for English Language Arts and Math in both seventh and eight grades.

Students who meet these qualifications must apply for TAP and the tuition balance remaining after a TAP award is not charged to the student. This program will limit students to eight qualifying undergraduate semesters, or the equivalent of four academic years, unless enrolled in a program which normally requires five academic years to complete. No recipient in part-time attendance may receive this award for more than 16 semesters of undergraduate study.

Contract for Excellence: The Contract for Excellence program was enacted as part of the 2007-08 SFY Budget. This program requires school districts to enter into Contracts for Excellence with the State if they have schools identified as having educational deficiencies and if the district receives an increase in Foundation aid in excess of ten percent, or $15 million.

These contracts require school districts to spend the additional state aid on a menu of educational initiatives which include:

- Reducing class sizes for all grades;
- Increasing time spent in the classroom (longer days or a longer school year);
- Improving the quality of teaching;
- Middle School and High School Restructuring; and
- Implementing full day Prekindergarten.

For the 2008-09 school year the Executive is proposing to expand the list of allowable programs to include programs which are beneficial to English language learners. The Executive would also specify that a school district would need to have a school in need of improvement for two years before the provisions of this program would apply. Currently, if districts have an academic deficiency for one year the Contract provisions apply. In addition, the Executive is proposing school districts in need of improvement that are not required to file a Contract, submit a district improvement plan.

Healthy Schools Act: In addition to including $5 million for low income students to offset the cost of school meals, the Executive has included as part of the Article VII legislation a version of a 2007 Governor's program bill to regulate the sale and consumption of food and beverages by students at school and school related events.

This measure includes;

- an assessment of physical education and nutritional instruction;
- nutritional and dietary standards for food offered or sold at public schools (including food or beverages offered from vending machines);
- training and technical assistance to school districts to comply with the provisions of the bill;
- the development of school wellness policies; and
- A mandate for school breakfast programs in all middle and high schools by September 1, 2011.

Education Tax Initiatives:

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

Based upon this three year agreement enacted in the SFY 2007-08 Budget the total value of the rebate checks in 2007-08 increased from $675 million to over $1.1 billion. Current law provides that the rebate checks should increased to over $1.3 billion in 2008-09 and to $1.5 billion in 2009-2010.

The Executive is currently proposing to freeze the planned expansion of both Rebate checks and the New York City Personal Income Tax Credit for non-seniors for 2008-09. This represents a $209 million cut against the agreement enacted in the 2007-08 State Budget. The Executive SFY 2008-09 proposal does allow for the scheduled expansion of the senior rebate checks (+$91 million).

The Executive is also taking savings by eliminating the NYC Personal Income Tax Credit for persons who earn over $250,000 for savings of $20 million against present law. Additional savings are taken by allowing the Tax Department to offset Rebate checks against tax and other (i.e. child support) debts. This reduces the Rebate checks by an additional $15 million.

The Executive proposes to modify the traditional STAR program by allowing STAR exemptions to decline by as much as ten percent currently they cannot fall by more than five percent. This action provides $110 million less in property tax relief than is generated under the current STAR program**.** In total the Executive with all the above actions is reducing property tax relief by $354 million compared to current law.

Commission on Property Tax Relief**:** The Governor issued Executive Order 22 on January 22, 2008 creating "The New York State Commission on Property Tax Relief". This Commission is charged with examining a number of items including the effectiveness of property tax caps as a mechanism to control growth in school district tax levies. The Commission must analyze "the most effective approach to impose a limit on local school property tax growth without adversely impacting the ability of school districts to provide quality education to all students." The Commission's charge is detailed in greater depth in the "Issues in Focus" section of this report.

This Commission has been given Moreland Act powers to subpoena witnesses and information. This Commission is headed by Nassau County Executive Thomas Suozzi and will issue an interim report by May 15, 2008 with a final report due on December 1, 2008.

Office of Higher Education and the Professions Program:

The Executive proposes an All Funds decrease of $4.37 million for the Office. This is due primarily to reductions in various aid to localities programs:

- -$3.676 million reduction to independent colleges and universities (Bundy Aid);
- $1.037 million reduction for the higher education opportunity program;
- $1.027 million reduction for financial assistance to expand high need nursing programs; and
- $200,000 reduction for Educational Opportunity Centers.

The following programs had their funding maintained in the Executive Budget for the 2008-09 SFY at the current year levels:

- Postsecondary Native American education awards ($635,000);
- The Science and Technology entry program (STEP) and the collegiate science and technology entry program (CSTEP) awards ($19 million); and
- Teacher Opportunity Corps awards ($713,000)

Cultural Education Program:

The Executive increases this program by $4.7 million on an All Funds basis mainly attributable to additional Federal and Special Revenue-Other spending.

Public Library Aid: Library aid is cut by $5.0 million. Library construction capital is maintained at $14 million as in previous years.

The Executive also recommends the following:

Aid to Public Television and Radio (+0): The Executive sustains funding at $18.8 million.

Storage Facility: The Executive proposes a $12.5 million capital appropriation for a new facility to store State archive items.

Vocational and Educational Services for Individuals with Disabilities Program (VESID)

The Executive maintains $1.07 billion in All Funds spending for the VESID program.

The Executive proposes the following funding for VESID programs at SFY 2007-08 levels:

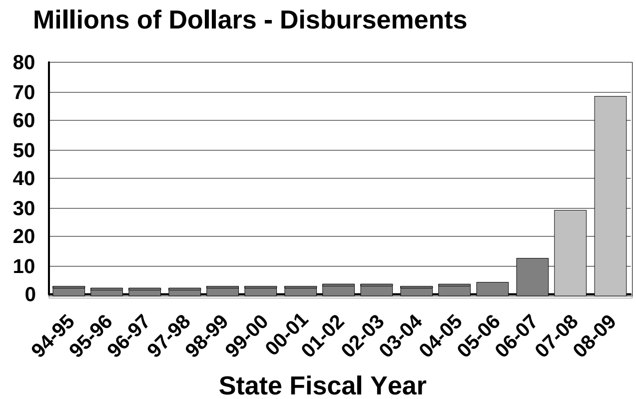
- Case Services ($54.6 million);
- College Readers Program ($300,000);
- Time Limited Services ($2.5 million); and
- Long-Term Support Services ($13.9 million).

Independent Living Centers ($11.7 million): ILCs funding is reduced by $1.5 million from SFY 2007-08. Of this funding cut $1 million eliminates State support for the Putnam, Herkimer, and Sullivan ILCs. The remaining $500,000 reduction is a general cut to all ILCs across the state.

Senate Finance Contact:
Nicole Fosco ext. 2928 or
Shawn MacKinnon ext. 2866

BOARD OF ELECTIONS

Fund	Adjusted 2007-08	Proposed 2008-09	Change Amount	Change Percent
Appropriations and Spending (Thousands of Dollars)				
General	7,230	9,326	2,096	29.0%
Special	8,600	2,000	(6,600)	-76.7%
Federal	23,500	11,000	(12,500)	0.0%
Other	0	0	0	0.0%
Capital	0	0	0	0.0%
Total	39,330	22,326	(17,004)	-43.2%
Cash	29,119	68,917	39,798	136.7%



Agency Overview

The State Board of Elections was established on June 1, 1974 as a bipartisan agency entrusted with the responsibility of administering and enforcing all laws relating to elections in New York State. The Board regulates disclosure and enforces the Fair Campaign Code which governs campaign practices. By conducting a wide range of efforts, the Board offers assistance to local election boards and investigates complaints of possible statutory violations. Additionally, the Board is charged with the preservation of citizen confidence in the democratic process and the enhancement of voter participation in elections.

Budget Proposal:

The Executive Budget recommends All Funds appropriations of $22.3 million in SFY 2008-09, a decrease of $17 million or 43 percent over current levels.

General Fund:

A $2.1 million General Fund increase includes the following:

- $471,000 for personal and nonpersonal service adjustments to continue current Board programs.

- $425,000 for additional office space to accommodate new staff, operations and functions associated with the Campaign Financing program created by Chapter 53 of the Laws of 2007. This program is expected to increase the Board's audit and investigations capacity, while enhancing education and outreach relative to campaign finance disclosures.

- $900,000 for maintenance and operation of the Statewide Voter Registration Database.

- $50,000 in excess costs resulting from the 2008 elections.

Special Revenue Funds:

The SFY 2008-09 Executive Budget proposes a decrease of $6.6 million in Special Revenue Fund reflecting the elimination of a one-time $8 million appropriation to satisfy the State matching fund requirements of the Help America Vote Act (HAVA) of 2002. This reduction is offset by a $1.6 million increase to accept payments made by voting machine vendors for the costs of machine certification and testing.

Federal Funds:

The SFY 2008-09 Executive Budget proposes a net reduction in Federal funding of $12.5 million due to the elimination of single purpose appropriations for the following:

- $15 million for purchase of new voting machines and disability accessible ballot marking devices for local boards of elections.

- $5 million for testing contracts for voting machines and development of a statewide master testing plan.

- $3.5 million for alteration of poll sites to provide accessibility for disabled voters.

(All of these funds have been reappropriated in the SFY 2008-09 budget.)

The aforementioned reductions are offset by a new Federal appropriation of $10 million for the purchase of HAVA compliant voting machines for disabled voters, and a $1 million Federal grant to continue poll site accessibility efforts.

Help America Vote Act (HAVA):

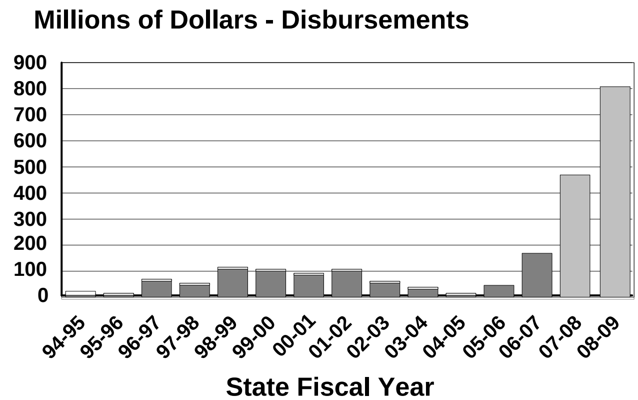
As of January 2008, New York State is moving toward full compliance with HAVA's requirements continuing to acquire disability accessible ballot marking devices which will be used in the 2008 elections.

Senate Finance Contact:
Lauren King, ext. 2935

EMPIRE STATE DEVELOPMENT CORPORATION (ESDC)

Appropriations and Spending
(Thousands of Dollars)

Fund	Adjusted 2007-08	Proposed 2008-09	Change Amount	Change Percent
General	84,948	81,121	(3,827)	-4.5%
Special	0	0	0	0.0%
Federal	0	0	0	0.0%
Other	0	0	0	0.0%
Capital	350,450	900,000	549,550	156.8%
Total	435,398	981,121	545,723	125.3%
Cash	182,683	792,309	609,626	333.7%



Agency Overview:

The Empire State Development Corporation (ESDC), a New York State public benefit corporation, undertakes a variety of activities with the goal of stimulating economic growth and creating jobs. ESDC is governed by a nine member uncompensated board of directors comprising two ex-officio members and seven members appointed by the Executive.

The Executive is pursuing a strategy of dividing the State broadly into two areas for economic development purposes: Downstate, which includes Albany, the lower Hudson Valley, New York City and Long Island, and Upstate, which includes everything else. In 2007, ESDC established a subsidiary corporation to administer Upstate economic development programs. The DED Commissioner also serves as the Chairman of the Upstate subsidiary of ESDC.

ESDC issues bonds to finance large public and private development projects and also provides capital grants directly to businesses. All funding provided by ESDC through existing programs must be approved by the Corporation's Board of Directors and the Public Authorities Control Board (PACB).

ESDC staff provide technical and financial services to regional businesses and development groups out of ten regional offices run by the Department of Economic Development. In addition, some of ESDC's activities are carried out by various subsidiaries including the 42nd Street Development Project Corporation, the New York Convention Center Corporation (Javits Center) and the Governor's Island Preservation and Education Corporation.

ESDC's operations are funded by revenues generated from its housing and real estate portfolio, bond proceeds, fees for service and other investments. The majority of

ESDC's General Fund appropriations will be distributed as grants through the programs that the Corporation administers. ESDC's budget supports 256 full-time equivalent (FTE) staff positions, an increase of 15 FTEs above last year’s level.

Budget Proposal:

The SFY 2008-09 Executive Budget recommends All Funds appropriations of $981.1 million, an increase of $545.7 million from SFY 2007-08. The Executive Budget anticipates that in SFY 2008-09 ESDC's debt service and operating expenses will exceed its revenues by $10.5 million.

This year's General Fund appropriation, (all for local assistance), is reduced by $3.8 million or 4.5 percent over last years level. The Executive’s proposal reduces net local spending $21.8 million by eliminating all SFY 2007-08 legislative additions and operating funds for Governors Island, which offsets the addition of $18 million for UDC operations, the Empire Development Fund (EDF), and a new Venture Capital Fund.

For SFY 2008-09, the Executive proposes $900 million in capital expenditures for the following six programs propose in Article VII legislation, and ten regional projects that are lined out in the appropriation bill. Detailed information for each program is provided in the charts at the end of this section.

Programs: total funding - $750,000

- Upstate Regional Blueprint Fund - $350 million
- Downstate Regional Revitalization Fund - $200 million
- Upstate Agricultural Economic Development Fund -$50 million
- Arts and Cultural Fund - $40 million
- Economic and Community Development Fund - $60 million;
- Investment Opportunity Fund - $150 million.

Projects :total funding - $150 million

- Rochester Midtown Plaza/Paetec - $55 million
- University of Rochester (RIT) Translational Research Center - $25 million
- Syracuse Connective Corridor Project - $10 million
- Fort Drum Infrastructure Improvement Projects - $10 million
- Buffalo Revitalization Efforts - $15 million
- SUNY Stony Brook - Energy Research Center - $10 million
- Cold Spring Harbor Laboratory - $5 million
- Lower Hudson Valley – Infrastructure and Waterfront Development - $10 million
- Hudson Valley Solar Energy Consortium - $5 million
- Hudson Valley Semiconductor Manufacturing -$5 million

ESDC, in conjunction with the Dormitory Authority, will continue to administer and finance AMD development, the Restore NY Communities program, and other capital projects included in the SFY 2006-07 Adopted Budget.

Local assistance:

The SFY 2008-09 Executive Budget proposal provides *new or increased funding* for the following ESDC programs:

- $51.5 million for EDF, an increase of $11.5 million, or nearly 30 percent, over the current funding level. EDF, which provides capital, wireless, infrastructure and training grants to smaller companies as well as municipalities, continues to receive more quality project requests than it can fund.

- $5 million for a new Venture Capital program to provide seed stage funding to start up firms in target industries;

- $4.1 million for operating support, an increase of $1.5 million over the SFY 2007-08 appropriation.

The SFY 2008-09 Executive proposal *eliminates funding* for the following ESDC programs:

- $3 million for military base redevelopment (Niagara, Plattsburg, Seneca, Griffiss);

- $18.2 million for all Legislative initiatives included in the SFY 2007-08 Adopted Budget;

- $9 million for Governor's Island operations.

The SFY 2008-09 Executive Budget proposal *maintains* current funding levels for the following ESDC programs and contracts:

- $1 million for military base retention;
- $7.1 million for Centers of Excellence operating support in a single lump sum. In the SFY 2007-08 Adopted Budget six designated Centers each received $1.2 million.
- $3.5 million for the Urban and community development Fund;
- $3.5 million for the Minority and Women-Owned Business Development program;
- $500,000 for the Entrepreneurial Assistance Program (EAP).
- $3 million (contract) for the Buffalo Bills Stadium;
- $1 million (contract) for SUNY Buffalo, Krabbe Disease Research Center operations;
- $1 million (contract) for SUNY Albany, Institute for Nanoelectronics Discovery and Exploration (INDEX) operations.

Article VII Proposals:

As in prior years, the Executive proposes to make permanent ESDC's power to grant loans, which otherwise would expire under current law on July 1, 2008.

The Executive proposes the Omnibus Economic Development Act of 2008 creating five new economic development programs. In addition, the Executive reintroduces last year's Investment and Job Creation Act under a new name – the Investment Opportunity Fund. Information regarding all six new programs is included elsewhere in this section.

The Executive did not advance legislation authorizing $1.2 million in funding for the Cornell Theory Center.

Senate Finance Contact:
Lilian Kelly ext. 2931

UPSTATE REGIONAL BLUEPRINT FUND	
Administration	Upstate ESDC subsidiary
Selection	Upstate ESDC subsidiary, geographically proportionate
Approval process	UDC Board then PACB
Application	Not RFP process; no minimum or maximum for funding; significant matching funds expected
Eligible Applicants	Distressed communities; public, not-for profit, private, research and education; incubators; tourist attractions
Eligible Projects	Intellectual capital capacity; investment products; applied research and development; foreign investment and international export, infrastructure; acquisition of land or buildings, equipment or machinery; construction or expansion of buildings
Types of Assistance	Grants, loans, product development
Selection Priorities	Regional support; regional impact, sustainable job creation and investment, identified in regional blueprints; smart growth, energy efficiency; strategic industries; minority-owned and women-owned businesses, distressed areas

UPSTATE AGRICULTURAL ECONOMIC DEVELOPMENT FUND	
Administration	Upstate ESDC subsidiary in consultation with commissioner of Department of Agriculture and Markets
Selection	Upstate ESDC chairman in consultation with the commissioner of Department of Agriculture and Markets
Approval process	Upstate UDC Board
Application	Not RFP process, no minimum or maximum funding request; match not specified
Eligible Applicants	Distressed communities not-for-profit corporations, agricultural cooperatives, public benefit corporations, municipalities, educational institutions (excludes private businesses)
Eligible Projects	Identification of new agricultural development opportunities; development of agriculture industry growth strategies; business development and financial assistance; retention or attraction of farmers, feasibility studies, acquisition of land or buildings, equipment or machinery; construction or expansion of buildings
Types of Assistance	Grants, loans, contracts for service, loans for low cost lending
Selection Priorities	Farmer retention; reducing agriculture project cost and agricultural input costs; consistent with environmental protection goals

DOWNSTATE REVITALIZATION FUND	
Administration	UDC
Selection	UDC
Approval process	UDC Board then PACB
Application	RFP process, no minimum or maximum funding request; matching funds expected
Eligible Applicants	Distressed communities; public, not-for profit, private, research and education; incubators; tourist attractions
Eligible Projects	Public and private cooperation, small business growth, technology -based development investment; land and building acquisition; equipment or machinery; construction or expansion of buildings
Types of Assistance	Grants, loans, product development or other assistance
Selection Priorities	Smart growth; energy efficiency; strategic industries; minority-owned and women-owned businesses; distressed areas; located in an Investment Zone; regional support; increases communities social and economic viability; sustainable job creation and investment

ARTS AND CULTURAL FUND	
Administration	UDC
Selection	Not specified
Approval process	UDC Board then PACB
Application	No process specified
Eligible Applicants	Not specified
Eligible Projects	Individual projects must be $250,000 or greater, improvements to arts, humanities and interpretive science facilities
Types of Assistance	Capital grants
Selection Priorities	Not specified

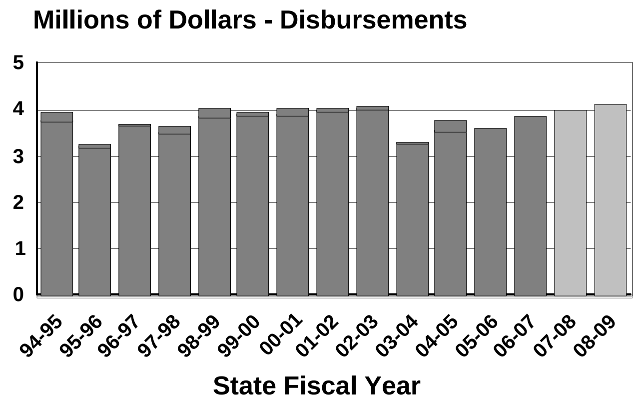
ECONOMIC AND COMMUNITY DEVELOPMENT FUND	
Administration	UDC
Selection	Not specified
Approval process	UDC Board then PACB
Application	No process specified
Eligible Applicants	Not specified
Eligible Projects	Individual projects must be $250,000 or greater, develop and preserve educational, recreational, tourism and infrastructure
Types of Assistance	Capital grants
Selection Priorities	Not specified

INVESTMENT OPPORTUNITY FUND	
Administration	UDC
Selection	Investment Opportunity Fund Board - UDC
Approval process	Investment Opportunity Fund Board - Bypassed PACB
Application	RFP process, maximum or minimum funding not specified; match not specified
Eligible Applicants	Public, not-for profit and private entities
Eligible Projects	Supports infrastructure or community revitalization and redevelopment.
Assistance	Loan guarantee, grant, loan, equity investment, loan forgiveness, mixed
Selection Priorities	Distressed communities; conforms to local or regional comprehensive plan; economic benefits to one or more regions; enhances infrastructure; financing appropriate

OFFICE OF EMPLOYEE RELATIONS (OER)

Appropriations and Spending (Thousands of Dollars)				
	Adjusted	Proposed	Change	
Fund	2007-08	2008-09	Amount	Percent
General	4,129	4,298	169	4.1%
Special	150	125	(25)	-16.7%
Federal	0	0	0	0.0%
Other	2,587	2,768	181	7.0%
Capital	0	0	0	0.0%
Total	6,866	7,191	325	4.7%

Cash	4,000	4,314	314	7.8%



Agency Overview

In accordance with the Taylor Law, the Office of Employee Relations (OER), sometimes called the Governor's Office of Employee Relations (GOER) represents the Governor in collective bargaining with nine public employee unions and also is responsible for implementing and administering the resulting agreements. OER's ongoing initiatives focus on improving the productivity of the State's workforce, workforce skill training, and implementing workforce changes. The Office's major focus for SFY 2008-09 will be continuing collective bargaining negotiations with the State's employee unions.

Budget Proposal:

The SFY 2008-09 Executive Budget recommends an increase of $325,000 in All Funds appropriations, a 4.7 percent increase from the prior year. This increase is due to salary and personal service adjustments. The Executive proposes a staffing level of 70 full-time equivalent (FTE) positions, which is unchanged from SFY 2007-08.

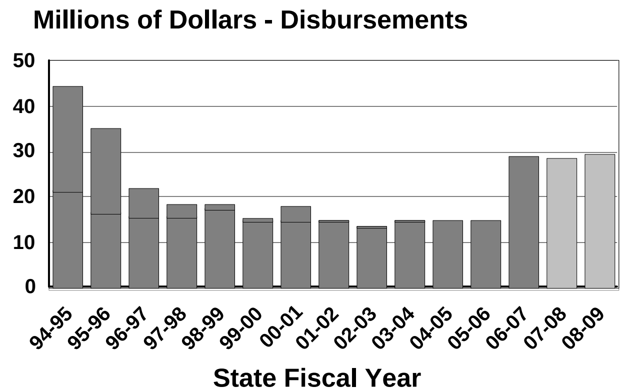
Senate Finance Contact:
Lilian Kelly ext. 2931

ENERGY RESEARCH AMD DEVELOPMENT AUTHORITY

Appropriations and Spending
(Thousands of Dollars)

Fund	Adjusted 2007-08	Proposed 2008-09	Change Amount	Change Percent
General	0	0	0	0.0%
Special	16,056	18,456	2,400	14.9%
Federal	0	0	0	0.0%
Other	0	0	0	0.0%
Capital	13,500	13,500	0	0.0%
Total	29,556	31,956	2,400	8.1%

Cash	28,623	29,413	790	2.8%



Agency Overview

Established in 1975 to initiate the development of new energy technologies and to foster innovative solutions to the State's energy needs, the Energy Research and Development Authority (ERDA) funds projects selected on a competitive grant basis to promote applied research financed primarily through assessments on gas and electric utilities. The Authority also conducts its own energy research programs. In addition, the Authority manages the former nuclear fuel reprocessing plant at West Valley in Cattaraugus County and the Saratoga Technology and Energy Park (STEP). ERDA also issues tax-exempt bonds on behalf of private energy supply companies for capital improvements.

The Full Time Equivalents for ERDA are anticipated to reach 288 during SFY 2008-09. This is an increase of 31 positions from SFY 2007-08.

Budget Proposal:

The SFY 2008-09 Executive Budget recommends an All Funds increase of $2.4 million which is planned to fund an update in the overall State energy plan. These funds are to be generated from an increase on assessments on utilities.

Off-budget Spending and Revenue Programs:

The vast majority of ERDA’s sources and uses of revenues come from imposed fees, assessments, contributions, lease rentals and interest and bond proceeds. Chief amongst these are the System Benefits Charge, Renewable Portfolio Standard and Regional Greenhouse Gas Initiative fees. These resources and spending programs are totally outside of the State Budget process, and thus are not held to normal accountability, transparency, and policy development standards.

ERDA’s total revenues for its fiscal year, which ends on September 30, 2008, are estimated at $454.6 million, an increase of $45.4

million, or ten percent, over the prior fiscal year. The Systems Benefit Charge is anticipated to bring in $172.1 million, which is essentially flat from the prior year. The Renewable Portfolio Standard is estimated to provide $67.3 million, which is $19.4 million or 41 percent more than 2007. The Regional Greenhouse Gas Initiative (RGGI) is scheduled to provide $35 million in new carbon offset charges in 2008. This is the first year that RGGI offset revenues are estimated to be assessed and collected.

Total ERDA spending is estimated to reach $454.6 million in its current fiscal year, an increase of $47.4 million or 11.7 percent over its 2007 fiscal year. Programs funded through the Systems Benefit Charge and the Renewable Portfolio Standard are running slightly above available funds, so it is expected that these fees will be increased next year.

Article VII Legislation:

The Executive again proposes Article VII language to authorize ERDA to make a $913,000 payment to the General Fund from unrestricted corporate funds. The Legislature consistently authorizes this payment.

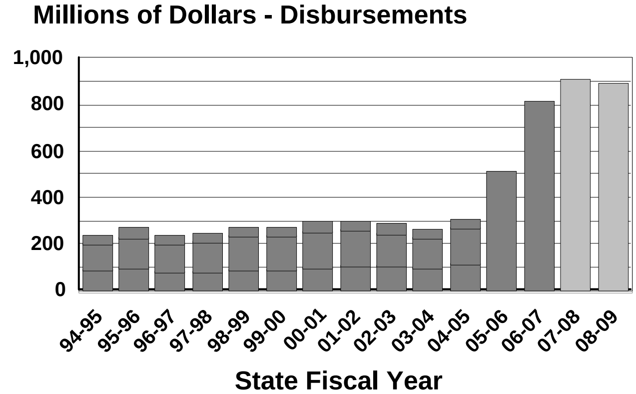
In addition, the Executive proposes to re-authorize assessments on intrastate gas and electric utility revenues (18-a assessments) to fund ERDA's proposed $18.5 million research and development and energy analysis functions.

Senate Finance Contact:
Steven Taylor ext. 2747

DEPARTMENT OF ENVIRONMENTAL CONSERVATION

Fund	Adjusted 2007-08	Proposed 2008-09	Change Amount	Change Percent
General	149,912	143,257	(6,655)	-4.4%
Special	284,151	288,907	4,756	1.7%
Federal	79,240	64,252	(14,988)	-18.9%
Other	60	60	0	0.0%
Capital	673,070	658,604	(14,466)	-2.1%
Total	1,186,433	1,155,080	(31,353)	-2.6%
Cash	913,498	893,889	(19,609)	-2.1%

Appropriations and Spending (Thousands of Dollars)



Agency Overview

The Department of Environmental Conservation (DEC) is responsible for conserving, improving and protecting the State's natural resources and environment. The DEC also works to control water, land and air pollution in order to enhance the health, safety and welfare of all New Yorkers. In addition, the DEC plays a major role in the continued implementation of the Environmental Protection Fund (EPF), the 1996 Clean Water/Clean Air Bond Act and the State’s Superfund/Brownfields Program.

Budget Proposal:

The SFY 2008-09 Executive Budget recommends an All Funds appropriation of $1.1 billion, a net decrease $31.3 million or 2.6 percent below SFY 2007-08 levels.

The SFY 2008-09 State Operation General Fund increases by a net $200,000 consisting primarily of an increase of $1.2 million to reflect increases for fixed costs, such as; fish hatcheries, food supplies for camps, leases and taxes. General Fund increases were offset by a $1.5 million decrease to reflect elimination of payments for Agency Law Enforcement Services (ALES) and elimination of funding for prior year salary creep. The Executive also recommends a General Fund Local Assistance decrease of $4 million to reflect elimination of community project funds.

The Executive recommends Federal Fund reductions of $15 million to reflect accounting changes, as required by the State Comptroller.

State Operations:

The Executive recommends an agency workforce of 3,752 FTE’s, which is an increase of four positions over SFY 2007-08. The new recommended positions are required due to enacted legislation for New York State Canal mitigation proceedings (one FTE) and an Invasive Species initiative (three FTE’s).

Capital

The Executive recommends a net decrease in All Funds Capital appropriations of $329,000 due to the elimination of $26 million for Natural Resources Damage projects, offset by increases such as; $15 million in reprogrammed 1972 Pure Waters Bond Act Funds, $3.4 million in Federal projects and $10 million for hazardous waste initiatives.

Fee Increases

The SFY 2008-09 Executive Budget includes Article VII legislation to increase permit fees from $47 to $80 per ton for regulated air contaminates. These fees are charged to facilities that emit contaminants regulated under Title V of the Federal Clean Air Act. The proposal provides for an annual adjustment of the annual fee based on the Consumer Price Index (CPI); establishes a minimum fee for regulated sources of $5,000; and eliminates the current annual 6,000 ton per-contaminant cap. The proposal is anticipated to generate $19 million in SFY 2008-09

Environmental Protection Fund (EPF)

The SFY 2008-09 Executive Budget recommends $250 million for the EPF. The proposed $250 million EPF includes $29.1 for Solid Waste and Recycling, $62.1 million for Parks and Recreation, $107.4 million for Open Space and $46.3 million for Farmland Protection. The EPF proposal includes some new funding initiatives, including, $3 million for Environmental Justice, $2 million for Renewable Energy, $1 million for Catskill Interpretive Center and $3 million for Hudson-Fulton-Champlain Quadricentennial.

The Executive has also proposed the continuation of many traditional EPF supported programs, including; $66 for Land Acquisition; $21 million for Municipal Parks; $1.1 million for Long Island Pine Barrens; $3 million for Soil and Water Conservation Districts; $2.3 million for Finger Lake-Lake Ontario Watershed Protection Alliance (FLLOWPA); $4 million for Oceans & Great Lakes Initiatives; $8 million for Zoos, Botanical Gardens and Aquaria and $900,000 for the South Shore Estuary Reserve.

Article VII Legislation

The SFY 2008-09 Executive Budget proposal includes legislation to expand the State's Returnable Container Act, also known as the Bottle Bill, to include non-carbonated beverage containers. The proposal is expected to generate $25 million in SFY 2008-09 and $100 million when fully annualized.

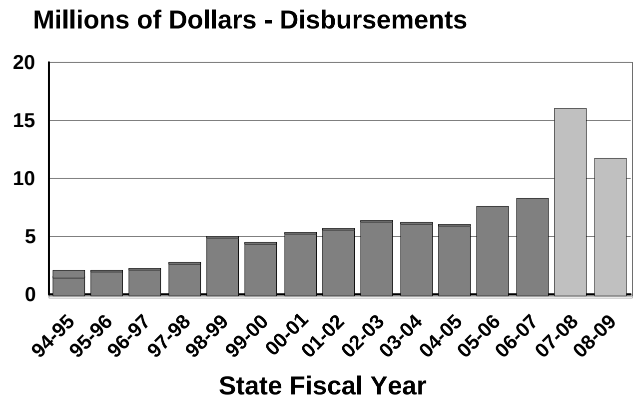
The SFY 2008-09 Executive Budget proposes a sweep of $100 million in cash from the EPF for General Fund support. This recommendation, if enacted, would increase the EPF General Fund Guarantee to $422.1 million, which is the amount that is reimbursable from the General Fund to the EPF to meet actual and/or anticipated disbursements.

The SFY 2008-09 Executive Budget recommends legislation to make permanent the current time frames for review of pesticide product registration applications and the pesticide product registration fee. Under current law, which sunsets in July 1, 2008, certain manufacturers of pesticides must register and pay an annual fee (companies who generate less than $3.5 million in annual revenue annually pay $300, companies that generate more than $3.5 million in revenue annually pay $310). After July 1, 2008 the product registration fees are scheduled to revert to $50.

Senate Finance contact:
Richard C. Mereday ext. 2934

ENVIRONMENTAL FACILITIES CORPORATION

Appropriations and Spending (Thousands of Dollars)				
	Adjusted	Proposed	Change	
Fund	2007-08	2008-09	Amount	Percent
General	0	0	0	0.0%
Special	13,552	13,828	276	2.0%
Federal	0	0	0	0.0%
Other	0	0	0	0.0%
Capital	4,753	343	(4,410)	-92.8%
Total	18,305	14,171	-4,134	-22.6%
Cash	16,160	11,815	(4,345)	-26.9%



Agency Overview

The Environmental Facilities Corporation (EFC) is a public benefit corporation established to help local governments, State agencies and private industry comply with State and Federal environmental laws and regulations. The EFC works with these entities to design, construct, operate and finance air pollution control, drinking water, wastewater treatment, and solid and hazardous waste disposal facilities.

The EFC administers the Clean Water State Revolving Loan Fund Program, a subsidized reduced interest-rate loan program for the construction and improvement of municipal wastewater treatment plants. In conjunction with the Department of Health, the EFC administers the Safe Drinking Water State Revolving Loan Fund Program which provides reduced rate interest loans to communities for the financing of safe drinking water projects. Federal funding is provided for these programs, with State matching funds provided from the Clean Water/Clean Air Bond Act.

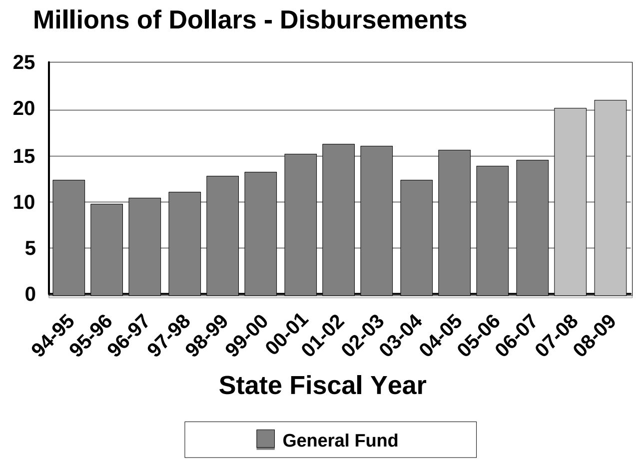
Budget Proposal:

The SFY 2008-09 Executive Budget recommends an All Funds decrease of $4.1 million due primarily to the elimination of a one time deficiency appropriation for the E-Farms Program. This decrease is offset by increases of $118,000 for personal service and $158,000 for nonpersonal service costs.

Senate Finance Contact:
Richard C. Mereday ext. 2934

EXECUTIVE CHAMBER

Appropriations and Spending (Thousands of Dollars)				
	Adjusted	Proposed	Change	
Fund	2007-08	2008-09	Amount	Percent
General	20,600	20,600	0	0.0%
Special	100	100	0	0.0%
Federal	0	0	0	0.0%
Other	0	0	0	0.0%
Capital	0	0	0	0.0%
Total	20,700	20,700	0	0.0%
Cash	20,320	20,930	610	3.0%



Agency Overview

The Executive Chamber, or Office of the Governor, includes the immediate staff necessary to assist the Chief Executive in managing the State of New York.

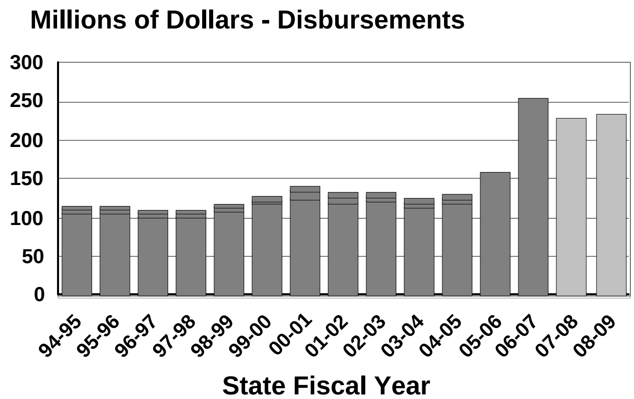
Budget Proposal:

The Executive Budget recommends All Funds appropriations of $20.7 million and a staffing level of 189 full time equivalent positions in SFY 2008-09. Both funding and staffing levels remain unchanged from the current year.

Senate Finance Contact:
Lauren King ext. 2935

OFFICE OF GENERAL SERVICES

Appropriations and Spending (Thousands of Dollars)				
	Adjusted	Proposed	Change	
Fund	2007-08	2008-09	Amount	Percent
General	157,376	159,266	1,890	1.2%
Special	22,446	23,103	657	2.9%
Federal	8,230	8,230	0	0.0%
Other	217,500	227,870	10,370	4.8%
Capital	82,350	80,000	(2,350)	-2.9%
Total	487,902	498,469	10,567	2.2%
Cash	229,724	233,381	3,657	1.6%



Agency Overview

The Office of General Services (OGS) provides a wide array of support services for New York State government. The Office is responsible for the operation, maintenance and renovation of 55 State-owned and operated buildings and 77 ancillary facilities statewide. In addition, OGS offers centralized contracting for commodities, services and printing, space planning and leasing, parking management and interagency mail and courier service.

Budget Proposal:

The Executive Budget recommends All Funds appropriations of $498.5 million in SFY 2008-09, an increase of $10.5 million or 2.2 percent from current levels.

General Fund:

The Executive proposes a General Fund increase of $1.8 million to cover the costs of continuing current programs. The increase is a result of rising energy costs, inflation, adjusted salaries and the use of more costly green products.

Special Revenue Funds:

The Executive proposes a $657,000 increase in Special Revenue funding resulting from salary and other fixed cost increases across programs.

Other Funds:

The Executive Budget includes an increase of $10.3 million in Proprietary Funds. The majority of this increase is in augmented Internal Service funding - used to account for financing of good and services supplied by one state agency to another on a reimbursement basis. The increases are as follows:

- Increased energy costs. ($2.7 million)
- Increased design work on behalf of customer agencies. ($1.2 million)
- Enhanced procurement efforts. ($1.2 million)

- Takeover of operating costs for property located at 44 Holland Avenue which houses the Office of Mental Health and the Office of Mental Retardation and Development Disabilities. ($2.4 million)

- Additional cost increases for continuation of OGS programmatic initiatives. ($2.2 million)

Capital Projects:

There is a decrease of $2.35 million in capital projects appropriations resulting from the elimination of legislative additions in the SFY 2007-08 budget for improvement and rehabilitation of the Hearing Rooms in the Legislative Office Building. OGS continues to preserve and maintain the Empire State Plaza, the State Capitol and other Agency facilities statewide.

Public Protection and General Government Article VII Proposals:

Part A: The Executive proposes that the Empire State Plaza Arts Commission establish a program for the promotion, preservation and enhancement of the State's American art collection displayed at the Empire State Plaza. This proposal would allow the Commission to solicit gifts, grants or loans of artwork for the collection. An appropriation of $500,000 is included to permit expenditure of any gifts or grants received.

Part B: The Executive proposes to modernize the Executive Mansion Trust by increasing the number of voting members on the Trust from five to fifteen, eliminating the Chair of the New York Historical Society as an ex officio board member, providing staggered terms for board members, and empowering the Trust to solicit donations to preserve, improve and promote the Executive Mansion.

Part F: The 1995 Procurement Stewardship Act (Section 163 of State Finance Law) governs the State's purchase of commodities and services, and establishes rules to help State agencies, local governments and school districts achieve savings on their purchases. This proposal would make permanent the provisions of the Procurement Stewardship Act and would increase the membership of the State Procurement Council by six members, adding the Office of Court Administration and the State's Chief Information Officer as permanent members and four gubernatorial appointments. The role of the Council would also be enhanced by creating a statewide forum to adopt future procurement reforms.

In addition, this proposal would add a new section 163-c to State Finance Law requiring contractors to include **a 0.5 percent surcharge on the purchase price charged to all State entities utilizing centralized procurement contracts**. The Executive Budget projects this proposal would generate revenue in the amount of $8 million in SFY 2008-09 and $20 million in SFY 2009-10. The revenues resulting from this surcharge would be remitted to the Department of Taxation and Finance and would help support procurement contract development efforts. This concept is currently used by several states and the Federal government to recover a portion of the costs of establishing centralized contracts.

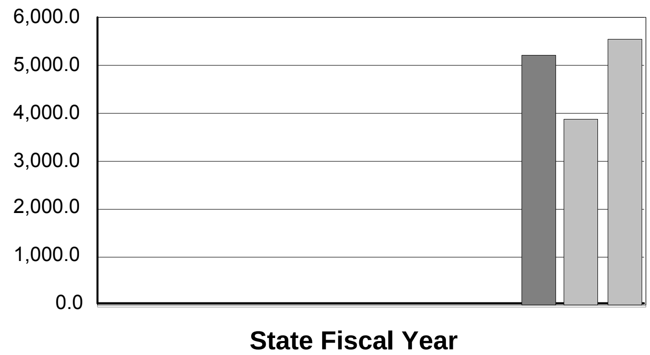
Senate Finance Contact:
Lauren King ext. 2935

GENERAL STATE CHARGES

Appropriations and Spending
(Thousands of Dollars)

Fund	Adjusted 2007-08	Proposed 2008-09	Change Amount	Change Percent
General	3,152,619	1,644,706	(1,507,913)	-47.8%
Special	0	0	0	0.0%
Federal	0	0	0	0.0%
Other	224,775	241,300	16,525	0.0%
Capital	0	0	0	0.0%
Total	3,377,394	1,886,006	-1,491,388	-44.2%
Cash	5,368,881	5,555,509	186,628	3.5%

Millions of Dollars - Disbursements



Agency Overview:

General State Charges (GSC) include the cost of fringe benefits and certain fixed costs.

Fringe benefits include the following:

- Health Insurance
- Pension Benefits
- Social Security and Medicare taxes
- Workers' Compensation
- Dental, Vision and Other Employee Benefits
- Fringe Benefits for State University of New York (SUNY) Employees

Fixed costs include the following:

- Taxes and other property assessments on State-owned land.
- Court of Claims judgments and other litigation costs.

GSC appropriations do not fund fringe benefits for employees of the New York State Legislature, the Judiciary, certain positions within SUNY or positions funded through Special Revenue Funds.

Budget Proposal:

The SFY 2008-09 Executive Budget recommends All Funds appropriations of $1.9 billion, a decrease of approximately $1.5 billion from the previous year.

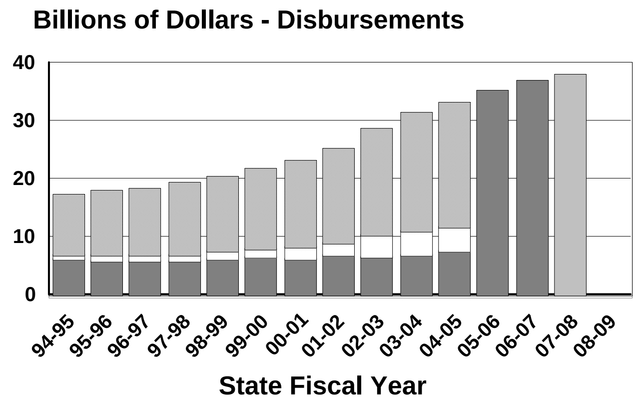
The $1.5 billion decrease is attributed to the amount transferred from General State Charges to the Department of Health as part of the Medicaid appropriation restructuring proposal.

Other significant spending changes include a pension funding increase of $36.5 million which reflects an employer contribution of approximately 8.8 percent and a health insurance increase of $98.1 million which reflects a health insurance premium increase of 5.5 percent.

Senate Finance Contact:
Peter Drao ext. 2918

DEPARTMENT OF HEALTH

Appropriations and Spending (Millions of Dollars)				
	Adjusted	Proposed	Change	
Fund	2007-08	2008-09	Amount	Percent
General	13,578	13,824	246	1.8%
Special	6,862	6,577	(285)	-4.2%
Federal	29,129	28,569	(560)	-1.9%
Other	1,771	1,771	0	0.0%
Capital	304	277	(27)	-8.9%
Total	51,644	51,018	(626)	-1.2%
Cash	37,314	38,672	1,359	3.6%



Agency Overview

The Department of Health (DOH) promotes and supervises public health activities throughout New York State and monitors the quality and cost effectiveness of medical care provided to State residents. The Department also coordinates Medicaid policy and program administration. The Department is comprised of the Office of Medicaid Management, the Office of Managed Care, the Office of Continuing Care, the Office of Public Health and the Office of Health Systems Management. The Department's regional staff conducts health facility surveillance, public health monitoring and direct services, and oversees county health department activities. In addition, the Department is responsible for five health care facilities, including Helen Hayes Hospital and four veterans' nursing homes in Montrose, Oxford, New York City and Batavia.

Budget Proposal:

The SFY 2008-09 Executive Budget provides $51.0 billion in All Funds appropriations to the Department of Health, a decrease of $626 million or 1.2 percent from current levels. This decrease is attributed to decreases in appropriation authority for the Elderly Pharmaceutical Insurance Coverage (EPIC) and Medicaid programs. The decrease in appropriation authority is offset by slight appropriation increases for long term care, community health and environmental health programs. Actual disbursements for DOH are expected to increase by $1.4 billion, or 3.7 percent

Medicaid and HCRA:

The Federal government requires that each State have a primary agency for Medicaid administration purposes. Prior to the SFY 2008-09 Executive Budget, only the Federal Medicaid funding for the Office of Mental Hygiene (OHM), the Office of Mental Retardation and Developmental Disabilities (OMRDD) and the Office of Alcohol and Substance Abuse Services (OASAS) was appropriated within the Department of Health’s budget. In an effort to reflect the total State spending for the Medicaid program, the SFY 2008-09 Executive Budget proposes to appropriate the State share of Medicaid spending from OMH, OMRDD, and OASAS, in the Department of Health's Budget.

Recommended State Funds Medicaid spending totals $16.2 billion for SFY 2008-09, which reflects an increase of $831 million or 6.7 percent.

Recommended General Fund Medicaid spending totals $12.7 billion, an increase of $1.03 billion or nine percent over the current fiscal year. The increase reflects cost containment measures which reduce baseline spending growth. Absent any cost containment proposals, projected baseline Medicaid spending for SFY 2008-09 would be $13.42 billion or $1.7 billion over the current fiscal year.

Cost Containment

The SFY 2008-09 Executive Budget includes health care containment measures that would result in State savings of $856 million.

For ***Hospital and Ambulatory Care Services,*** the SFY 2008-09 Executive Budget includes several ***restructuring and reallocation*** actions that would result in $128 million in net State savings.

The SFY 2008-09 Executive Budget proposes to update the methodology by which rates paid to hospitals for inpatient services are determined. This rebasing of hospitals would be implemented over a four year period, and according to the Executive, would remove $600 million in Medicaid funding from the hospital system. Under this rebasing, when fully implemented, rates paid to hospitals would be calculated as follows:

- 100 percent of a group price for each hospital in the same peer group. Currently, the rate is based on 55 percent of each hospital's individual costs and 45 percent of the group price for the hospitals in the same peer group;
- Discharge data from Medicaid patients only;
- Physician's rates would be billed on a fee schedule outside of the hospital rate;
- Updated methodology for calculating the rates would be based on cost reports from 2005 trended forward. The current rates are based on cost reports of 1981 and trended forward.

While the SFY 2008-09 Executive Budget includes $41 million in State savings from the rebasing initiative, no facility-specific data has been provided to allow analysis of the proposal for its potential impact on hospitals across the State.

Along with reductions to hospitals as a result of the rebasing proposal, the SFY 2008-09 Executive Budget proposes reallocation of Graduate Medical Education (GME) funds. Under this proposal, $15.6 million would be redirected from the professional education pool in to the newly established innovations pool. From the innovations pool, $15.6 million would be allocated to the new initiatives as follows: ambulatory training for residency training in community based settings, $5 million; the physician loan repayment program, $2 million; enhanced funding to community based centers to attract and retain physicians in rural and inner city underserved communities, $5 million; a physician study to develop models on the future need for physicians, $600,000; expanding the Diversity in Medicine program, $2 million; increased funding for Area Health Education Centers (AHEC), $1 million.

This shift of $15.6 million in GME funding would result in less GME funding being provided to hospitals, however, no facility specific data has been provided.

The SFY 2008-09 Executive Budget eliminates public hospital worker recruitment and retention funding. These funds were provided by the Legislature to assist public hospitals with activities that would enable them to retain qualified health care employees. These funds would be phased out over a four year period and result in SFY 2008-09 State savings of $12 million.

The SFY 2008-09 Executive Budget proposes to update the billing system for Medicaid services. Hospitals would be required to update their billing systems to include all procedure and diagnosis codes. In order for hospitals to receive payments, the accurate code must be present at the time of admission for services for each Medicaid patient. This action would result in $7 million in State savings by decreasing unpaid claims to hospitals.

The SFY 2008-09 Executive Budget also proposes to eliminate the specialty Medicaid rates paid to hospitals for psychiatric services. Under the Executive's proposals these services would be paid on a per-diem basis. This action would result in State savings of $2 million.

The SFY 2008-09 Executive Budget reduces the 2.3 percent trend factor to 1.725 percent and requires hospitals to partially absorb inflationary increases. This action would result in State savings of $20 million.

The SFY 2008-09 Executive Budget includes cost savings measures that are aimed at improving the efficiency of utilization of hospital services, resulting in State savings of $48 million. These efficiency measures include:

- ***Selective contracting***, under which the State would contract with designated hospitals for specific high cost services, such as bariatric surgery and transplants. This cost saving measure would result in State savings of $1 million;

- ***Reducing or Eliminating "never events."*** Under this proposal, the State Medicaid program restricts payments for those service complications that are preventable (i.e. amputation of the wrong leg). This cost saving measure would result in State savings of $10 million;

- ***Establish new payment rate for inpatient detoxification services***. Under this proposal, payments for detoxification services would be based on a per-diem basis instead of the current diagnosis relate group (DRG) method of service payment. This action would result in State savings of $35 million.

- ***Utilization Shift.*** Under this proposal patients would be encouraged to, when appropriate, receive their care in a lower cost setting. This proposal would result in State savings of $2 million.

The SFY 2008-09 Executive Budget also includes $43 million in State savings as a result of implementing the recommendations of the Berger Commission. Under the recommendations of the commission, nine hospitals are scheduled to close and 48 hospitals would merge or re-affiliate. Under the report issued by the commission, it is estimated that 47 percent of the beds and services eliminated by implementing these recommendations, would not be utilized elsewhere in the Medicaid system, and the State would realize savings of $43 million.

The SFY 2008-09 Executive Budget proposes to reinvest $84 million in State funds for services and programs with a focus on primary care and ambulatory care. This reinvestment would establish an ambulatory patients group (APG) method of reimbursement for services, which bases rates of payment on the severity of the case, instead of on a per visit basis. This new methodology for payment of services would be implemented for clinics, emergency rooms and outpatient departments. ***The Executive Budget includes $60 million in State funds for this reinvestment.*** It is unclear, due to the lack of available data, what the specific impact of this reinvestment of State funds would have on the hospitals.

In addition to the reinvestment of State funds for ambulatory care, the SFY 2008-09 Executive Budget includes ***$24 million in State funds*** to improve access to primary care services. Of the $24 million in State funds, $15 million would be available to increase physician fees. Phased in over a four year period, the rate paid to physicians for services would be increased to reflect 75 percent of the Medicare fee schedule. In addition, $ 2 million would be available to increase the rates paid to community based clinics. This rate would be increased to 50 percent of the Medicare fee schedule. Finally, $6.3 million would be available for various primary care services, including: $900,000 for diabetes and asthma education by a certified education specialist; $2.3 million for case management services for high risk pregnancies; $1.1 million for social workers that provide mental health services for children and maternal populations; and $2 million to provide extended and weekend hours at clinics.

For ***Pharmaceuticals***, the Executive Budget recommends $172 million in State savings. The proposed reductions include: reducing the reimbursement paid to pharmacies for brand name drugs under both the Medicaid and Elderly Pharmaceutical Insurance Coverage (EPIC) programs. Reimbursement for brand name drugs would be reduced from the Average Wholesale Price (AWP) minus 14 percent to AWP minus 17 percent. This reduction would result in State savings of $40 million. The SFY 2008-09 Executive Budget slightly mitigates the pharmacy reductions in reimbursements to pharmacies by proposing to increase the dispensing fees paid to pharmacies for prescription drugs in both Medicaid and EPIC programs by $1.00. The dispensing fee for generics would increase from $4.50 to $5.50 for a State cost of $11 million. The Executive also proposes to raise the dispensing fee for those brand name drugs which are prescribed from the preferred drug program (PDP). The dispensing fee from those brand name drugs would increase from $3.50 to $4.50. The dispensing fee for brand name drugs not prescribed from the PDP would remain at $3.50.

The SFY 2008-09 Executive Budget proposes several changes to the Preferred Drug Program (PDP) and the Clinical Drug Review Program (CDRP). These changes would:

- Authorize drugs classified as anti-depressants to be included in the PDP program, resulting in State savings of $5 million;
- Authorize new classes of drugs to be included in the PDP and CDRP programs, resulting in State savings of $27 million; and
- Authorize drugs currently in the PDP program to be included in the CDRP program for prior authorization, resulting in State savings of $4 million.

The SFY 2008-09 Executive Budget includes $7 million in additional savings for the Elderly Pharmaceutical Insurance Coverage (EPIC) program by maximizing the usage of the Medicare Part D program. The maximization of the Part D program would be accomplished as follows:

- Enrolling all eligible seniors in the Qualified Individuals Medicare Savings Program (QI-1). The QI-1 program provides Medicare Part B premium assistance to low income individuals. By enrolling those eligible EPIC seniors into this program, they would automatically become eligible for the Medicare Part D low income subsidy program. This low income subsidy program should result in lower prescription drug costs for the individual seniors and lower EPIC program spending for the State. This initiative would result in State savings of $2 million;

- Eliminating the Medicare Asset Test for EPIC Seniors. By eliminating the asset test for Medicare eligibility determination, more EPIC seniors would be able to participate in the Medicare Part D low income subsidy program, resulting in State savings of $5 million.

The SFY 2008-09 Executive Budget includes other cost savings measures for Pharmaceuticals, which would:

- Establish ***a Medication Therapy Management Program,*** which would reduce drug errors and encourage the appropriate usage of prescription drugs. Under this program, the Commissioner of Health would contract with certified pharmacies to provide services to targeted Medicaid patients that take several prescription drugs. These pharmacies would work with these individuals to raise the patients' awareness of the appropriate usage of prescriptions drugs. This program would result in State savings of $1 million;

- Establish a ***Physician Pharmaceutical Education Program (Academic Detailing),*** to provide evidence based pharmaceutical education to physicians. Under this program Physicians would be provided with objective information on the appropriateness of various medications. It is expected that providing physicians with accurate evidence based information, would result in better patient health and more appropriate use of medications, including the prescribing of equally effective generic drugs. This program would result in State savings of $1 million;

- Establish a ***Drug Utilization Review (DUR) Program***. Under this program the Commissioner of Health would contract with an experienced entity, who would conduct a retrospective review of a Medicaid patients' prescription drug utilization for inappropriate usage. Findings of such inappropriate medication usage would result in consultations with the patient's prescriber to effectuate appropriate prescription changes. This program would result in State savings of $4 million;

- Increase the State's participation in the ***Federal 340-B Program***. This

Senate initiative allows health entities, such as Federally Qualified Health Centers (FQHC), to obtain prescription drugs at lower costs. The expansion of this initiative would result in State savings of $4 million;

- Authorize the Commissioner of Health to enter into ***Bulk Purchasing Agreements*** for prescription drugs. This initiative would allow the State to enter into drug purchasing agreements with various entities, including other State agencies, counties, and other states, to negotiate lower costs for prescriptions drugs. This initiative would result in State savings of $4 million;

- Establish ***controls on early refills of prescription drugs,*** by requiring Pharmacies to provide reasons for any prescription being refilled early. Early refill of a prescription would be defined as any prescription being filled before 75 percent of the proper prescribed usage time. This initiative would result in State savings of $6 million;

- Establish a Specialty Pharmacy program for high cost drugs. Focusing on high cost drugs often administered in a physician's office, the Commissioner of Health would contract with special entities to negotiate lower prices for those high cost drugs. This program would result in State savings of $4 million; and
- Carve out prescription drug benefits from the Family Health Plus (FHP) plan. Prescription drug benefits would now be provided to FHP recipients under Medicaid fee for service and through the Preferred Drug Program (PDP). Providing prescription drugs under Medicaid fee for service, would allow the State to be eligible for rebates. This change in the way prescription drugs are provided to FHP recipients would result in additional State revenue of $27 million.

Under ***Managed Care***, the SFY 2008-09 Executive Budget proposes to reduce premium increases for the Family Health Plus (FHP) and Medicaid Managed Care programs by .05 percent. The partial freeze in the premium payments for these managed care plans would result in State savings of $15 million, as follows: Medicaid Managed Care, $11 million; and FHP, $4 million. The Executive also proposes to reduce the premium payments for the Managed Long Term Care program by 50 percent for State savings of $8 million. In addition, the Executive proposes further premium reductions for the Medicaid Managed Care and Family Health Plus programs, for State savings of $8 million. This $8 million in State funds would be reinvested in the expansion of facilitated enrollment services, as well as for the establishment of the proposed State Enrollment Portal.

The SFY 2008-09 Executive Budget includes additional managed care savings as follows:

- expand the mandatory enrollment of SSI recipients into managed care plans, for state savings of $2 million; and
- amend the definition of severe and persistent mental illness (SPMI) which would increase the number of mentally ill individuals eligible for mandatory enrollment into the managed care program. This would result in State savings of $2 million.

For ***long term care services,*** the SFY 2008-09 Executive Budget includes $152 million in cost saving measures as which would:

- Eliminate the first two years of ***nursing home rebasing transition funding*** that was provided by the Legislature as part of the SFY 2005-06 enacted budget. This action, estimated to provide ***$85 million in State savings,*** would reduce funding to an extremely financially distressed health care sector;
- Reduce ***the trend factor*** for nursing homes, and home care and personal care services by 25 percent and require these long term care services to partially absorb inflationary increases. The partial reduction of the trend factor would result in State savings of $26 million as follows: nursing homes, $16 million; home care services, $4 million; and personal care services, $6 million;
- Reduce the allowable reimbursement for administrative costs for certified home health agencies (CHHA), from 23.8 percent to 20 percent. In addition, the reimbursement "ceiling" for the various facility corridors is reduced from 110 percent of to 100 percent. This means that the amount of reimbursement for services would be capped at 100 percent of the average cost for those CHHA's located in the same corridor. Corridors are the grouping of facilities often by area. Upon the grouping of these facilities, information is obtained from the cost reports of those facilities and a weighted average is determined. This weighted average is used to determine the reimbursement amount for the facilities in the same grouping, also known as corridors. These cost saving actions would result in State savings of $20 million;
- Reduce the ***allowable reimbursement for administrative costs*** for the long term home health (LTHHP) program from 23.8 percent to 20 percent, for State savings of $5 million;
- Establish a three year ***Personal Care Utilization Demonstration progra****m* for New York City. Under this proposal the State would contract with a provider, who would conduct an assessment and prescribe appropriate levels of personal care for all prospective individuals. This demonstration program would result in State savings of $6 million;
- Realize savings as a result of the implementation of the Berger Commission. Under the recommendation of the Berger Commission, three nursing homes would close, 12 nursing homes would reduce capacity, and six other nursing homes would be restructured. Implementation of these recommendations would result in State savings of $10 million.

Other ***Cost Containment Measures*** include the following: increasing the Medicaid fraud collections target to $590 million for State savings of $160 million; authorizing the Commissioner of Health to negotiate non-emergency transportation services for State savings of $10 million; establishing a diabetes care management program, for State savings of $7 million; establishing a prenatal care registry to identify and appropriately treat high risk pregnancies for State savings of $1 million; proposing various mental hygiene cost saving measures for State savings of $14 million; and updating Medicaid utilization thresholds for State savings of a $5 million.

Health Insurance Coverage

Child Health Plus Expansion

The SFY 2008-09 Executive Budget proposes to expand Child Health Plus (CHP) to 400 percent of the Federal Poverty Level (FPL) without federal financial participation at a cost of $19 million fully funded by the State. The SFY 2007-08 Enacted Budget included a provision, proposed by the Executive, to expand income eligibility for CHP to families with incomes up to 400 percent of the FPL ($83,000 for a family of four); up from the current level of 250 percent of the FPL ($52,000). The Executive assumed that the Federal government would pay 65 percent of the cost of this health insurance expansion. However, the Federal government adopted a rule requiring states to enroll at least 95 percent of children below 200 percent of the FPL before they can increase CHP eligibility to children with families above 250 percent of the FPL. The new rule prevented Federal participation in New York's CHP eligibility expansion. Hence, the SFY 2008-09 Executive Budget proposes to finance the CHP expansion entirely with State funds.

New York State is currently taking legal action against the Federal government for approval of the SFY 2007-08 expansion. Family contributions are increased to partially offset the cost of the expansion (a family of four with an annual income of $84,000 will be required to pay $1,800 per year in premiums).

Also, eligibility for Medicaid is expanded to cover foster children up to age twenty-one. This will affect approximately 300 children who would become ineligible for Medicaid at age eighteen.

Family Health Plus Employer Buy-In

Under current law, New York State pays 30 percent of the premium for participating Family Health Plus (FHP) eligible employees. The employer pays the remaining 70 percent. The Executive proposes to allow employers to offer a less comprehensive FHP benefit package to employees that would be otherwise ineligible, providing that such plan includes all State mandated benefits.

State Enrollment Portal

This proposal authorizes New York State to directly enroll recipients into the CHP, FHP and Medicaid program. State operations funding in the amount of $4 million would be provided for implementation. Currently, these activities are performed by local social services districts.

Public Health

Elderly Pharmaceutical Insurance Coverage Program (EPIC)

The Elderly Pharmaceutical Insurance Coverage (EPIC) Program, which was a Senate initiative, provides assistance with prescription drugs to eligible seniors. Currently, it is estimated that there are 344,500 seniors being served under this program. The SFY 2008-09 Executive Budget estimates the number of enrollees to be 350,000 at the end of March 2009 with an estimated State cost of $699.2 million.

The SFY 2008-09 Executive Budget proposes to expand eligibility for the EPIC program to include those financially vulnerable individuals that lack prescription drug coverage, by establishing a drug discount card. Effective April 1, 2009 eligible individuals would be able to purchase prescription drugs at significant discounts. The SFY 2008-09 Executive Budget includes $500,000 for administrative costs associated with the expansion of the EPIC program.

Early Intervention

The Early Intervention (EI) program provides services to infants and toddlers, up to three years of age, with developmental delays and disabilities. The State provides reimbursement to localities for 50 percent of their EI program costs for non-Medicaid eligible children. EI costs for Medicaid eligible children are financed through the Medicaid program with the State and localities responsible for 50 percent of the costs and Federal funds covering the remaining 50 percent. The SFY 2008-09 Executive Budget recommends $186 million to provide services to an estimated 72,000 children.

The SFY 2008-09 Executive Budget also includes other actions for the EI program including, recouping overpayments made to New York City for State revenue of $60 million; and eliminating the cost of living adjustment for the past three years for state savings of $40 million.

General Public Health Works (GPHW) Program

The General Public Health Works program provides funding to localities to support programs in the areas of family health, disease control, health education, community health assessment and environmental health. Current State reimbursement to the counties is 36 percent for core and optional services. The SFY 2007-08 Executive Budget includes $240 million to support this program, which reflects an increase of $15.3 million in State support. The Executive also maintains the public health emergency contingency appropriation at $40 million, to allow the commissioner to provide additional funds to localities in the event of a public health emergency.

Other Public Health Initiatives

The SFY 2008-09 Executive Budget includes $51.2 million for the third year of the cost of living adjustment (COLA) for human services providers budgeted within the Department of Health. In addition, the Executive proposes to extend the COLA for human service agencies to March 31, 2012.

The SFY 2008-09 Executive Budget invests $10.1 million in additional State funds for various public health initiatives, as follows:

- Anti-smoking initiatives, $2.2 million;
- Childhood lead poisoning prevention initiatives, $1.25 million;
- Comprehensive hepatitis C program, $800,000;
- Regional epidemiology program, $220,000;
- Adolescent Pregnancy Prevention programs, $1.5 million;
- Center for Translational Neurological Research, $80,000;
- Public Health Genomics, $50,000;
- Obesity Prevention initiatives, $300,000;
- HIV/AIDs initiatives, $700,000;
- Hospice Quality Assessment, $250,000;
- Various technology improvements, $1 million;

- Workforce preparedness initiatives (Public Leaders of Tomorrow), $330,000;
- Clinical laboratory certification and testing programs, $820,000; and
- Office of Long Term Care administrative staff and surveillance contracts, $560,000.

Health Care Reform Act (HCRA).

The SFY 2008-09 Executive Budget extends HCRA for three years to March 31, 2011. For SFY 2007-08, the HCRA Resources Fund has an operating deficit of $190 million against estimated revenue of $4.9 billion, disbursements of $5.1 billion and a closing balance of $515 million. An opening fund balance of $706 million for SFY 2007-08 allows HCRA to operate at a deficit. As the fund balance is spent down in the out years through SFY 2010-11, the operating deficit increases and the HCRA fund balance is eventually brought to zero by the end of SFY 2010-11.

The Executive Budget proposes $193 million in HCRA savings as follows:

- Increase of $140 million in the covered lives assessment from $850 million to $990 million.

- Increase of $30 million in the provider audit target. These are funds recovered by New York State from providers who underpay various surcharges and assessments that finance HCRA. The benefit to HCRA (net of administrative costs of $3 million) is $27 million.

- Offload the Newborn Screening Program from HCRA to the Department of Insurance. The savings to HCRA is $12 million.

- Revise cost sharing under CHP (discussed above), $12 million.

- Tax little cigars, which are currently taxed at a lower rate, at the same rate as cigarettes. Approximately 61 percent of the proceeds from the New York State cigarette tax are allocated to the HCRA Resources Fund. Of the $3.6 million in additional revenue derived from taxing little cigars, $2 million will accrue to HCRA.

The HCRA Financial Plan includes $834 million from health plan conversion proceeds for SFY 2008-09. Of this amount, $550 million is from the sale of WellPoint stock and $284 million is from the initial public offering (IPO) of Emblem (the for profit entity created pursuant to the merger of the Health Insurance Plan of Greater New York (HIP) and Group Health Incorporated (GHI).

For-profit health maintenance organizations (HMOs) would be reclassified as insurance companies for tax purposes under the Executive proposal. Currently, HMOs pay the business corporation tax. Under this proposal they would be taxed at 1.75 percent of their premium base, which is what other property and casualty companies pay.

According to the Executive, the distribution methodologies for indigent care funds are modified in a manner consistent with the recommendations of the **Indigent Care Work Group Report**.

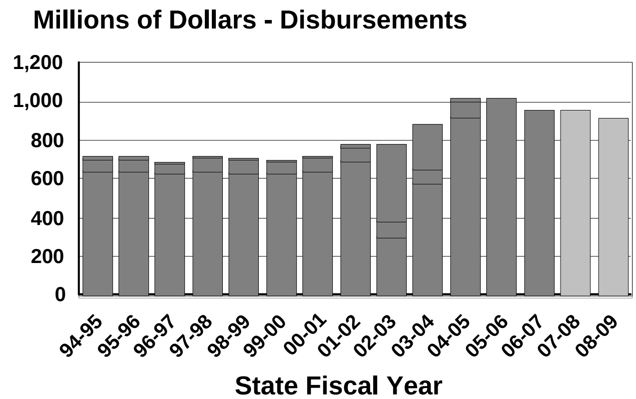
To enhance access to primary and preventive care, the Executive proposes an array of training and incentives for physicians. This proposal includes **$2 million for a tuition loan repayment program** tied to service in medically underserved communities (one third allocated to New York City and two thirds to the rest of the State). The program is implemented in HCRA through a newly created Graduate Medical Innovations Pool.

Senate Finance Contact:
Jacqueline Donaldson ext. 2020
Peter Drao (HCRA) ext. 2918

HIGHER EDUCATION SERVICES CORPORATION

Appropriations and Spending
(Thousands of Dollars)

Fund	Adjusted 2007-08	Proposed 2008-09	Change Amount	Change Percent
General	924,869	821,796	(103,073)	-11.1%
Special	120,216	148,852	28,636	0.0%
Federal	12,000	17,900	5,900	49.2%
Other	0	0	0	0.0%
Capital	0	0	0	0.0%
Total	1,057,085	988,548	(68,537)	-6.5%
Cash	954,454	914,493	(39,961)	-4.2%



Agency Overview

Established in 1974, the Higher Education Services Corporation (HESC) administers the State Tuition Assistance Program (TAP), the Federal Family Assistance Program as well as other State and Federal aid programs. The majority of HESC employees are supported by Federal Funds received for the administration of Federal student loans. The State's Tuition Assistance Program is a need-based State financial aid program that provides assistance to approximately 350,000 students.

Budget Proposal:

The SFY 2008-09 Executive Budget provides All Funds appropriations of $988.5 million, a decrease of $68.5 million or 6.5 percent from SFY 2007-08. The Agency is expected to maintain its current staff level of approximately 700 employees, almost all of whom are supported by HESC's business revenues.

General Fund support totals $821.7 million, a decrease of $103 million or 11 percent from the current year. Of the General Fund total, $764 million would support the Tuition Assistance Program (TAP), a decrease of $109 million or 12 percent from current year's level. A major portion of this reduction, approximately $75 million, is attributable to prior year eligibility reforms related to tougher academic standards and use of Ability to Benefit (ATB) Test. In addition, the Executive proposes to use a $32 million HESC operating fund balance to offset the General Fund in the same amount in SFY 2008-09. The HESC operating account consists of interest and fees derived by HESC for administering Federal student loan programs. Excess funds in the account have been used in the past to offset costs to the General Fund ($51 million in SFY 2005-06 and $20 million in SFY 2006-07).

The Executive Budget proposes legislation that would disallow students who are in default on governmental education loans from receiving TAP awards. A savings of $2.5 million is attached to this proposal, which is expected to affect approximately 1,600 students. Language is also proposed to allow the Higher Education Services Corporation (HESC) to obtain certain information from the Department of Taxation to aid its default collection efforts. The Executive projects that HESC would receive approximately $5 million in commission and service fees from the Federal Department of Education as a result of this proposal in the first year, and up to $14 million in the second year.

The Executive TAP proposal continues the current maximum award of $5,000 and minimum of $500 for qualified students in full-time attendance. TAP expenditures and TAP recipients have been decreasing over the past three years owing to accountability reforms enacted to prevent abuse. This year, approximately 311,000 students are projected to receive an average TAP award of $2,588. Last year, 312,000 students received an average of $2,582 in awards.

In SFY 2006-07 the Legislature enacted a part-time TAP program for public and private colleges, making TAP awards available to thousands of part-time student statewide for the first time.

<u>Other Financial Programs</u>:

The Executive recommends $42 million to continue funding for existing scholarship and fellowship programs administered by HESC. This level of funding represents an increase of $6 million from the current year. Of the additional funds, $2 million will support a proposal to increase awards under the Veterans Tuition Assistance to the level of SUNY tuition. The Senate Majority in 2007 passed its Higher Education Affordability Initiative (S.6288) which provides veterans with awards up to the SUNY tuition rate.

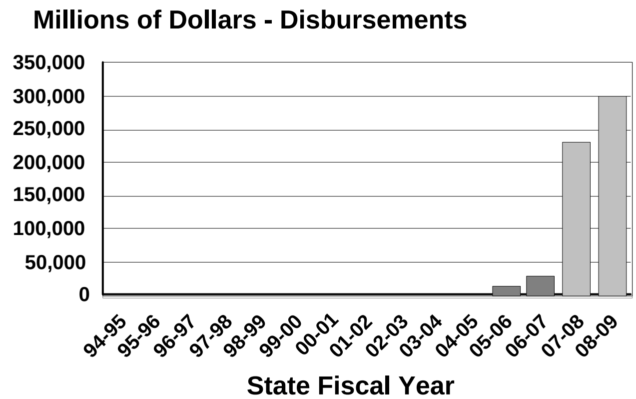
Funding for the World Trade Center Memorial Scholarship and the scholarship program for the families of the victims of American Airline Flight 587 that crashed in Queens on November 12, 2001 is continued at the current levels. Funding for the Patricia McGee Nursing Faculty Scholarship and Loan Forgiveness program ($2 million) and the Social Worker Loan Forgiveness program ($1 million) are unchanged from the current year levels.

The Executive Budget continues $4 million in funding for the Volunteer Recruitment Service Scholarship program created by the Senate in SFY 2002-03. The Aid for Part-time Study (APTS) program will continue to be funded at last year's level of $14.6 million.

Senate Finance Contact:
Ade Somide ext. 2760

HOMELAND SECURITY

Appropriations and Spending (Thousands of Dollars)				
	Adjusted	Proposed	Change	
Fund	2007-08	2008-09	Amount	Percent
General	11,382	11,041	(341)	-3.0%
Special	9,543	10,543	1,000	10.5%
Federal	360,000	350,000	(10,000)	-2.8%
Other	1,500	1,500	0	0.0%
Capital	0	0	0	0.0%
Total	382,425	373,084	(9,341)	-2.4%
Cash	230,148	298,782	68,634	29.8%



Agency Overview

The Office of Homeland Security (OHS) was established by anti-terror legislation enacted by the Legislature and signed into law in July of 2004.

The Office's mission is to detect, protect against and respond to terrorist related activities and events. The mission is accomplished by coordinating New York State public security matters on behalf of the Governor.

The programmatic functions and services provided by the Office include: vulnerability assessments of critical infrastructure; policy development; allocation of Federal Homeland Security funds; detection of cyber security threat related events; collection and dissemination of counter terrorism information and alerts; and development of a Statewide strategy for disaster related preparedness training.

OHS is divided into the Administration and Cyber Security Programs.

Budget Proposal:

The SFY 2008-09 Executive Budget recommends an All Funds appropriation of $373 million, a decrease of $9.3 million or 2.4 percent from current levels.

State Operations:

The SFY 2008-09 Executive Budget recommends General Fund appropriations of $11 million, an increase of $340,000 or three percent over SFY 2007-08. Of this increase, $280,000 is attributable to legislation enacted in SFY 2007-08 to broaden OHS's responsibilities relating to aviation fuel pipeline security. Remaining increases include $160,000 in salary adjustments; and $234,000 from increased lease costs in New York City. These increases are offset by a decrease of $1 million related to streamlining of administrative operational expenses.

Aid to Localities:

The SFY 2008-09 Executive Budget recommends $350 million in Federal Funds for Homeland Security grant programs, a decrease of $10 million or 2.8 percent. This decrease is the result of the elimination of the legislative additions for port security included in the SFY 2007-08 Enacted Budget.

Creation of Local Grant Audit Unit:

The Federal Department of Homeland Security mandated that a Local Grant Audit Unit be created within the OHS, supported entirely through Federal Grants. The SFY 2008-09 Executive Budget proposes the addition of six FTEs for the Unit to oversee Federal grant expenditures, and to help with efficiencies, distribution and allocation of local grants.

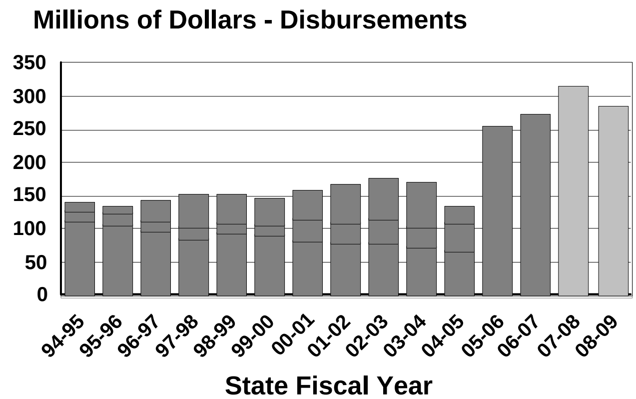
Homeland Security / Miscellaneous:

The SFY 2008-09 Executive Budget recommends an adjustment to the SFY 2007-08 Enacted Budget of $10 million for the transition of ‘Orange Alert’ deployment to permanent Empire Shield mission. The Executive Budget also recommends an increase of $2.2 million for the orthoimagery program expansion and aerial photography contract escalators, as well as an increase of $1.2 million in adjustments related to costs for continuing current programs in the Division of State Police, the Department of Health and the Office of Fire Prevention and Control.

Senate Finance Contact:
Maria LoGiudice ext. 2928

DIVISION OF HOUSING AND COMMUNITY RENEWAL

Appropriations and Spending (Thousands of Dollars)				
	Adjusted	Proposed	Change	
Fund	2007-08	2008-09	Amount	Percent
General	95,317	86,049	(9,268)	-9.7%
Special	66,993	66,993	0	0.0%
Federal	103,101	103,101	0	0.0%
Other	0	0	0	0.0%
Capital	74,200	74,200	0	0.0%
Total	339,611	330,343	(9,268)	-2.7%
Cash	315,865	285,417	(30,448)	-9.6%



Agency Overview

The mission of the Division of Housing and Community Renewal is to make New York State a better place to live by supporting community efforts to preserve and expand affordable housing, home ownership and economic opportunities, and by providing equal access to safe, decent and affordable housing.

The Division of Housing and Community Renewal (DHCR) is responsible for the supervision, maintenance and development of affordable low and moderate-income housing. The Division oversees and regulates including:

- Community Development - Administration of housing development and community preservation programs, including State and Federal grants and loans to housing developers to partially finance construction or renovation of affordable housing; and
- Housing Operations - Oversight and regulation of the State's public and publicly assisted rental housing;
- Rent Administration - Administration of the rent regulation process for more than one million rent-regulated apartments in both New York City, and those localities in the counties of Albany, Erie, Nassau, Rockland, Schenectady, Rensselaer and Westchester subject to rent laws.

Budget Proposal:

The SFY 2008-09 Executive Budget recommends All Funds appropriations of $330.3 million. This represents an almost three percent decrease or $9.27 million from the $339.6 million appropriated for SFY 2007-08.

The Executive Budget recommends a staffing level for the Division of Housing and Community Development (DHCR) of **950 FTEs**, which is no change from the SFY 2007-08 budget.

State Operations:

State Operations appropriations are proposed to increase by $4 million for SFY 2008-09. Rising administrative, lease and fringe benefits costs increase by $2 million. In addition, the Housing Information Systems fund is proposed to also increase by $2 million for contractual services and information processing upgrades.

Aid to Localities:

The SFY 2008-09 Executive Budget proposes to **reduce** over $13.2 million in Aid to Localities funding of local housing programs, including **elimination** of the following: Home Ownership Economic Stabilization Loan Program for Long Island; Lead Poisoning Prevention Program; Rural Community Revitalization Program; Rural Rental Assistance, and Urban Homeownership Assistance Program.

Significant **reductions** in funding are recommended by the SFY 2008-09 Executive Budget for the following housing programs: Neighborhood Preservation Program is reduced by $3.3 million and Rural Preservation Program is reduced by over $1.6 million.

The SFY 2008-09 Executive Budget also proposes the **elimination** of funding for the Lead Paint Poisoning Prevention program. In SFY 2007-08, $400,000 was authorized by the Legislature.

Capital Projects:

The Executive recommends $74.2 million in Capital Funds for SFY 2008-09, which is no change from SFY 2007-08. The Affordable Housing Corporation (AHC) and Low Income Housing Trust Fund (HTF) would receive $25 million and $29 million, respectively, for low and moderate income housing construction programs throughout the State. The Public Housing Modernization Fund, Homes for Working Families program, and Housing Opportunity for the Elderly program will receive $12.8 million, $7 million, and $400,000 respectively.

Article VII:

The SFY 2008-09 Executive Budget recommends the establishment of a $400 million Housing Opportunity Fund program, which would develop three categories of housing; affordable, workforce and supportive. The Fund would be split, with $100 million for Upstate housing efforts and $300 million for Downstate housing efforts. This new program is to be funded by the initial release of $100 million in reserves held by the New York State Mortgage Agency (SONYMA) Mortgage Insurance Fund, and additional funding from a portion of the proceeds from the sale of property at the Jacob K. Javits Convention Center. The Fund would be administered by a newly established Board chosen by the Executive, the Legislature and DHCR.

The Executive proposes to make permanent an annual increase of $4 million in Low-Income Housing Tax Credits for each of the next ten years. This program is designed to spur affordable housing construction in New York State.

The Executive Budget again recommends that the Office of the State Comptroller be authorized to intercept **any** State aid payment scheduled to be made to New York City (NYC) if the DHCR is not paid for the costs of the Rent Regulation Program. Existing law permits the

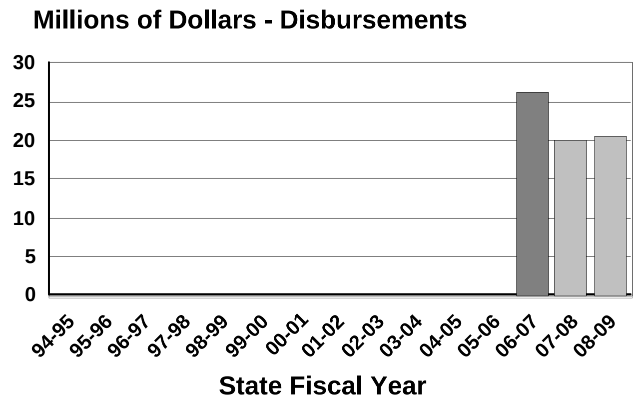
Office of the State Comptroller to intercept only (NYC) per capita aid if the DHCR is not reimbursed for administering the Rent Regulation Program. The Executive also proposes to expand the definition of a voluntary agency to include any entity receiving assistance from the Housing Finance Agency (HFA) or (DHCR) for integrated housing projects.

Senate Finance Contact:
Gerard Zabala ext. 2912

HUDSON RIVER PARK TRUST

Appropriations and Spending
(Thousands of Dollars)

Fund	Adjusted 2007-08	Proposed 2008-09	Change Amount	Percent
General	0	0	0	0.0%
Special	0	0	0	0.0%
Federal	0	0	0	0.0%
Other	0	0	0	0.0%
Capital		25,000,000	25,000,000	0.0%
Total	0	25,000,000	25,000,000	0.0%
Cash	20,000	20,682	682	3.4%



Agency Overview

The Hudson River Park Trust (HRPT) is a public benefit corporation established in 1999 to design, develop and maintains the 550 acre Hudson River Park, which when complete will extend five miles along the Hudson River waterfront from Battery Park to 59th Street. The Trust is governed by a thirteen member board: five members appointed by the Governor; five by the Mayor of New York City; and three by the Manhattan Borough President. The Trust is headed by a President and Chief Executive Officer who is appointed by the Board.

Budget Proposal:

The SFY 2008-09 Executive Budget recommends a capital advance of $25 million for New York City's share of the Hudson River Park Project. This advance appropriation is utilized by New York State to make disbursements for New York City's share of the project. Within 90 days of notification, New York City must reimburse the State for these expenditures.

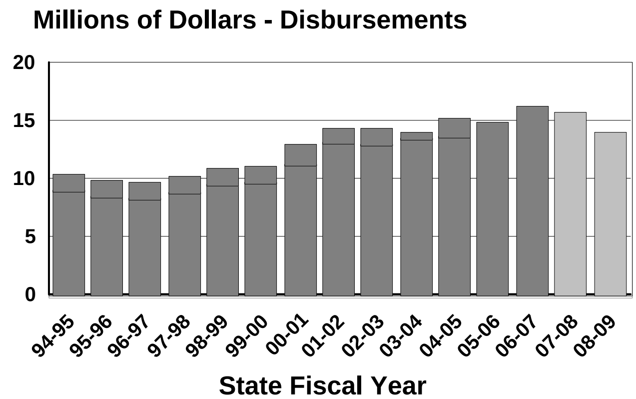
The Executive also recommends an additional State share $20 million for capital projects to aid in the completion of the remaining segments of the Park. This appropriation is recommended to be provided from the Urban Development Corporation (UDC) discretionary capital funds.

Richard C. Mereday ext. 2934

DIVISION OF HUMAN RIGHTS

Appropriations and Spending (Thousands of Dollars)				
	Adjusted	Proposed	Change	
Fund	2007-08	2008-09	Amount	Percent
General	14,476	14,697	221	1.5%
Special	50	0	(50)	-100.0%
Federal	4,904	6,904	2,000	40.8%
Other	0	0	0	0.0%
Capital	0	0	0	0.0%
Total	19,430	21,601	2,171	11.2%

Cash	15,816	17,068	1,252	7.9%



Agency Overview

The Division of Human Rights (DHR) enforces the New York State Human Rights Law which prohibits discrimination in employment, housing, public accommodations, and credit because of race, creed, color, national origin, sex, age, disability, and marital status. The Division investigates and resolves complaints of discrimination, develops and articulates human rights policy and legislation, and promotes human rights by providing leadership for civil rights, human rights, and community groups.

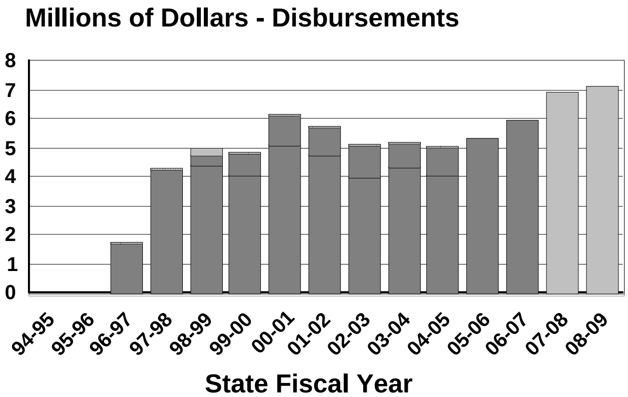
Budget Proposal:

The SFY 2008-09 Executive Budget recommends $21.6 million in All Funds appropriations, an increase of $2.2 million or 11.2 percent. The proposed increase is comprised of $221,000 in General Fund support for two additional temporary staff to handle anticipated workload increases, along with $2 million in additional Federal appropriation authority to hire up to 20 additional staff, if needed to process caseload increases.

OFFICE OF STATE INSPECTOR GENERAL

Appropriations and Spending (Thousands of Dollars)				
	Adjusted	Proposed	Change	
Fund	2007-08	2008-09	Amount	Percent
General	6,915	7,125	210	3.0%
Special	100	100	0	0.0%
Federal	0	0	0	0.0%
Other	0	0	0	0.0%
Capital	0	0	0	0.0%
Total	7,015	7,225	210	3.0%

Cash	6,908	7,153	245	3.5%



Agency Overview

The mission of the State Inspector General is to ensure that State government maintains the highest standards of integrity and accountability.

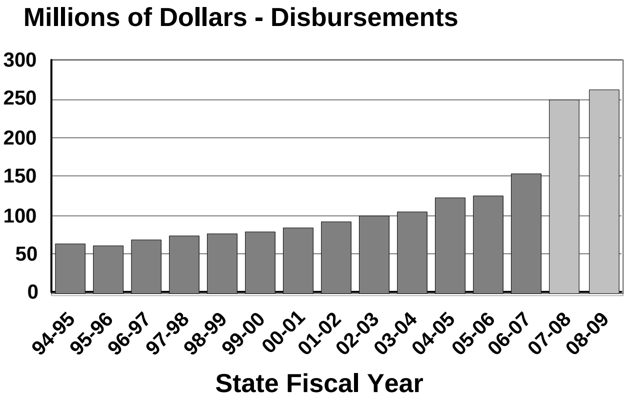
Budget Proposal:

The SFY 2008-09 Executive Budget recommends a General Fund increase of $210,000 to provide for personal service and nonpersonal service increases.

Senate Finance Contact:
Nicole C. Fosco, ext. 2928

INSURANCE DEPARTMENT

Appropriations and Spending (Thousands of Dollars)				
	Adjusted	Proposed	Change	
Fund	2007-08	2008-09	Amount	Percent
General	101,000	100,000	(1,000)	0.0%
Special	199,182	217,223	18,041	9.1%
Federal	0	150	150	0.0%
Other	0	0	0	0.0%
Capital	0	0		0.0%
Total	300,182	317,373	17,191	5.7%
Cash	250,421	262,999	12,578	5.0%



Agency Overview

The Insurance Department is charged with regulating the insurance industry to ensure that the interests of insurance consumers and companies are balanced. The Department is fully funded by assessments on domestic insurance carriers and by examination fees.

Budget Proposal:

The Executive recommends All Funds appropriations of $317.4 million for the Insurance Department in SFY 2008-09. This is an increase of $17.2 million over SFY 2007-08. The Executive recommends a staffing level increase of 24 full time employees (FTEs) from the 2007-08 Enacted Budget. The additional staff comprises new hires for the administration of Timothy's Law, the Governor's "Partnership for Coverage" Initiative and the Commission to Modernize the Regulation and Financial Services.

Budget Highlights:

The SFY 2008-09 Executive Budget proposes that the Insurance Department provide funding through an assessment, for an initiative to fund the Department of Health's (DOH) Enhanced Newborn Screening program.

The Executive recommends a Governor's "Partnership for Coverage" initiative which looks to establish access to affordable, highly quality medical care. The Initiatives goal is to increase enrollment in public health insurance programs like Medicaid, Child Health Plus, Family Health Plus and Healthy NY. This is also funded through Insurance assessments.

The Executive proposes a Commission to modernize the Regulation of Financial Services in order to establish a more efficient form of State regulation in the Financial Service Industry. The initiative will seek input from industry representatives, consumer groups and government regulatory entities. Currently, four agencies (Insurance Department, the Banking Department, the Department of State, and the Attorney General's Office) regulate the industry.

Article VII Legislation:

The Executive is proposing a bill that amends the insurance law to increase civil penalties; authorizes the Superintendent of Insurance to issue cease and desist orders; and increases the length of time that an insurer must wait to obtain a license after revocation. The 2008-09 Executive Budget assumes receipt of $1 million in additional General Fund dollars as a result of the increased fines and penalties included in this bill.

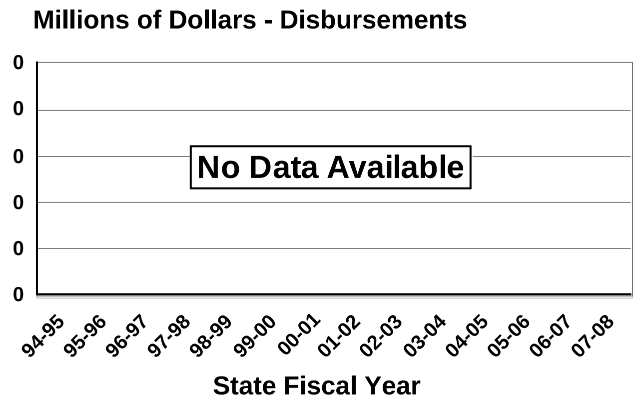
Senate Finance Contact:
Kevin Bronner Jr. ext. 2752

INTEREST ON LAWYER ACCOUNT

0

Appropriations and Spending
(Thousands of Dollars)

	Adjusted	Proposed	Change	
Fund	2007-08	2008-09	Amount	Percent
General	3,000	0	(3,000)	-100.0%
Special	0	0	0	0.0%
Federal	0	0	0	0.0%
Other	18,822	72,134	53,312	0.0%
Capital	0	0	0	0.0%
Total	21,822	72,134	50,312	230.6%
Cash	0	0	0	0.0%



Agency Overview

The Interest on Lawyer Account (IOLA) was established in 1983 to finance civil legal services for the indigent. Revenues are derived from the interest earned on small trust accounts held by attorneys for their clients. Banks transfer the interest earned on these accounts to IOLA, which in turn funds grants to organizations that provide civil legal services to the indigent, elderly and disabled.

Budget Proposal:

The SFY 2008-09 Executive Budget recommends a $53 million increase in spending authority for local grants. In August 2007, the Executive initiated new regulations to ensure that banking institutions pay a fair interest rate on IOLA accounts. The changes in regulations have resulted in significant increases in funds that would be available for civil legal services and the improvement of administration of justice grants. The increase of $53 million in Local Assistance grant funding is based on a projected increase in interest rates, attributable to the new regulations. The actual amount disbursed is dependent on the amount of interest generated by the trust accounts which fund the programs.

The Executive also recommends an increase of $128,000 to reflect the increased costs of continuing operations (annual salary increases, and other fixed cost adjustments), as well as $184,000 associated with four additional Full-Time Equivalent (FTEs) positions to help with the administration and distribution of the expected increase in grants. The Executive eliminates $3 million in General Fund Aid to Localities funding for civil legal services, due to the expected increase in available funds from interest earnings.

Article VII Legislation:

Interest on Lawyer Account – Clarification and Expansion of Responsibilities: The Executive proposes to clarify the duties and responsibilities of the IOLA Board in regard to oversight of lawyer escrow accounts and the provision of civil legal services. The following provisions and responsibilities of the Board are proposed:

- Requiring moneys in the IOLA fund to be kept separately and not commingled with any other moneys in the custody of the State Comptroller, and only used for the purpose of providing or improving civil legal services to indigent individuals in the State;

- Appointing an Executive Director upon recommendations from the board;

- Altering the distribution of funds. Currently, 75 percent goes to the delivery of civil legal services to the indigent and 25 percent goes to the improvement of the administration of justice. This proposal would change the funding distribution to 80 percent for delivery of services to the indigent, and 20 percent for improvement in the administration of justice;

- Requiring an evaluation process for the distribution of funds and making it publicly available;

- Prescribing the criteria for determining the eligible client populations and eligible participants;

- Monitoring compliance by banking institutions;

- Conducting seminars, forums, and training;

- Maintaining a website that provides detailed information about the rules, procedures and activities of the IOLA fund; and

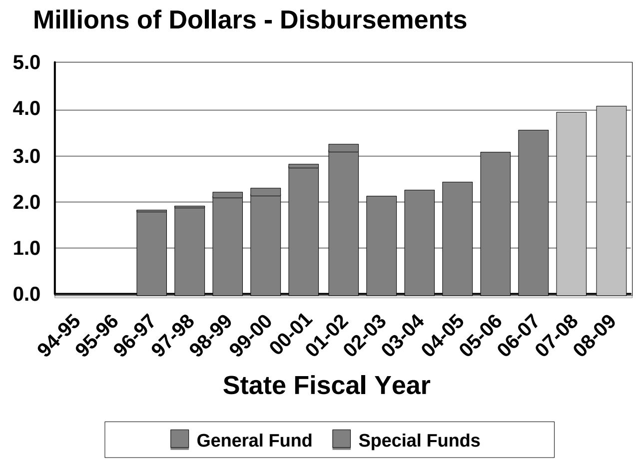
- Providing the Executive, the Legislature and the Court of Appeals with an annual report on the activities of the IOLA fund.

Senate Finance Contact:
Maria LoGiudice ext. 2936

TEMPORARY STATE COMMISSION OF INVESTIGATION

Appropriations and Spending
(Thousands of Dollars)

Fund	Adjusted 2007-08	Proposed 2008-09	Change Amount	Change Percent
General	3,642	3,689	47	1.3%
Special	287	287	0	0.0%
Federal	0	0	0	0.0%
Other	0	0	0	0.0%
Capital	0	0	0	0.0%
Total	3,929	3,976	47	1.2%
Cash	3,929	4,076	147	3.7%



Agency Overview

The Temporary State Commission of Investigation was established to serve as a bipartisan fact-finding Agency investigating and reporting on organized crime and racketeering, the conduct of public officers and other matters affecting public peace, safety and justice.

The Commission consists of six salaried members, two each appointed by the Governor, Temporary President of the Senate, and the Speaker of the Assembly. In addition to the six commissioners there are 21 staff positions at the Commission, which has its main office in New York City.

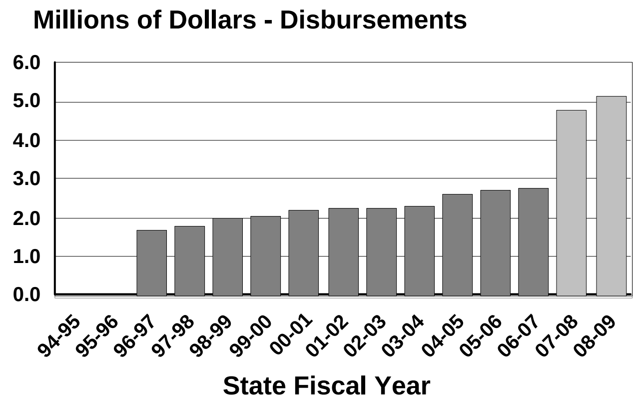
Budget Proposal:

The SFY 2008-09 Executive Budget proposes to extend the Temporary State Commission of Investigations, beyond the current expiration date of September 1, 2008. The Executive proposes to extend the Commission for seven months to coincide with the fiscal year and to give the Commission ample time to complete current investigations. The Executive increases General Fund support by $47,000 to reflect an increase in salary adjustment and other operational expenses.

Senate Finance Contact:
Maria LoGiudice ext. 2936

JUDICIAL COMMISSIONS

Appropriations and Spending (Thousands of Dollars)				
	Adjusted	Proposed	Change	
Fund	2007-08	2008-09	Amount	Percent
General	4,843	5,241	398	8.2%
Special		0	0	0.0%
Federal	0	0	0	0.0%
Other	0	0	0	0.0%
Capital	0	0	0	0.0%
Total	4,843	5,241	398	8.2%
Cash	4,785	5,139	354	7.4%



Agency Overview

The Commission on Judicial Conduct investigates and acts upon allegations of Judicial misconduct. The Commission on Judicial Nomination, and the Governor's Judicial Screening Committees evaluate potential nominees for Judicial appointments by the Governor.

Budget Proposal:

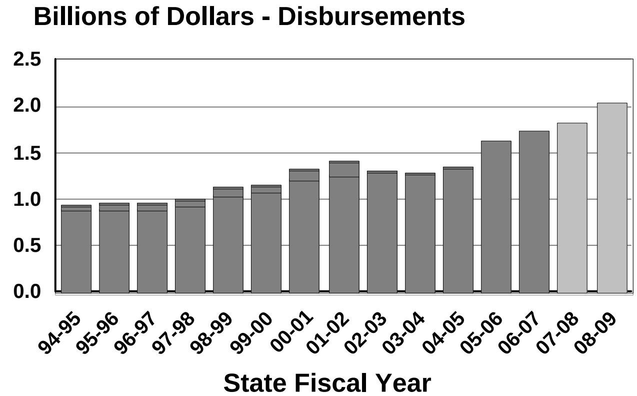
The SFY 2008-09 Executive Budget provides a $398,000 increase in General Fund support. The additional funds are to support salary and nonpersonal service cost increases. Staffing at the Commission will remain at the SFY 2007-08 level of 28 positions.

Senate Finance Contact:
Nicole C. Fosco, ext. 2928

JUDICIARY

Appropriations and Spending (Thousands of Dollars)				
Fund	Adjusted 2007-08	Proposed 2008-09	Change Amount	Change Percent
General	2,073,501	2,270,252	196,751	9.5%
Special	244,558	241,356	(3,202)	-1.3%
Federal	8,800	9,100	300	3.4%
Other	0	0	0	0.0%
Capital	77,900	0	(77,900)	0.0%
Total	2,404,759	2,520,708	115,949	4.8%

Cash	1,829,753	2,032,399	202,646	11.1%



Agency Overview

Through the Unified Court System (UCS), the Judiciary provides a forum for the resolution of civil claims, family disputes, criminal charges, charges of juvenile delinquency and challenges to government actions. It also supervises the administration of estates, adoptions and the dissolution of marriages, and provides legal protection for children and mentally ill persons. The Judiciary regulates the admission of lawyers to the New York State Bar and once admitted, regulates their conduct.

Budget Proposal:

The SFY 2008-09 proposed Judiciary Budget increases All Funds spending by $115.9 million or 4.8 percent over the current fiscal year. General Fund spending increases by $58 million or 2.6 percent excluding judicial pay raises. Major changes include:

- An increase of $9.8 million for annualized cost of current year employment.
- An increase of $7.9 million in Law Guardian representation costs, including $5 million for the impact of caseload caps per Chapter 626 of the Laws of 2007.
- An increase of $6.7 million for increments, longevity bonuses, and other collective bargaining costs.
- An increase of $6.4 million in State Operating funds for the continued implementation of the Action Plan for Town and Village Courts.
- An increase of $5.5 million in rental costs due to the transfer of the lease for 25 Beaver St. from the Office of General Services to the Judiciary Budget.
- An increase of $3.1 million in partial year funding for 139 new positions related to public safety in Family, City and District Courts.
- An increase of $2.5 million in partial year funding for employment target increases in, SFY 2008-09.

- An increase of $2.4 million for legal research reflecting the terms of recently negotiated contract with West Publishing.

- An increase of $2.3 million for general inflation and mandatory contractual increases.

- An increase of $2 million for positions created related to the mandates of Chapter 7 of the Laws of 2007 (Civil Confinement & Sexual Predators).

Judicial Pay Raises:

The SFY 2008-09 Judiciary Budget proposal includes $143 million to implement judicial pay raises retroactive to April 1, 2005. The Judiciary also requests a permanent mechanism to regularly adjust judicial salaries.

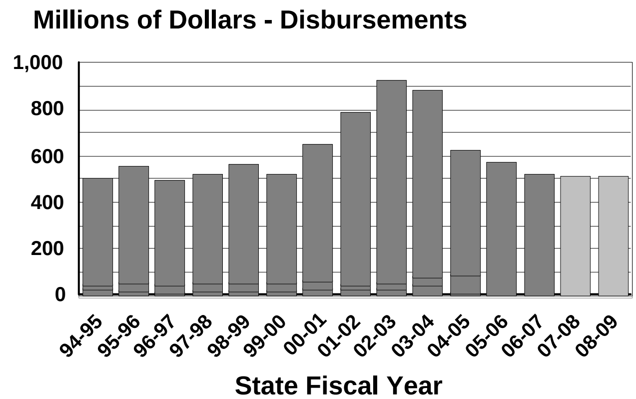
The Executive is proposing a $119 million increase to implement the judicial pay raise retroactive to April 1, 2006. Another pay raise of 2.5 percent will be received on April 1, 2008. The Executive bases this proposal on the recent increase in salary for Federal judges. There is no appropriation for the second raise. The Executive does not propose any mechanism to deal with future pay raises.

The Executive also proposes legislation to give counties (excluding New York, Kings, Queens, Bronx, and Richmond) $60,000 in State aid per county for the salaries of District Attorneys, which are linked to judges and justices of the Unified Court System. Current County Law allows for $10,000 in aid creating an aggregate State Aid allowance of $70,000. The funding for the State Aid allowance is contained in the proposed $119 million appropriation.

Senate Finance Contact:
Nicole Fosco, ext. 2928

DEPARTMENT OF LABOR

Appropriations and Spending (Thousands of Dollars)				
	Adjusted	Proposed	Change	
Fund	2007-08	2008-09	Amount	Percent
General	22,191	1,495	(20,696)	-93.3%
Special	75,651	78,048	2,397	3.2%
Federal	765,044	734,325	(30,719)	-4.0%
Other	3,250,000	3,000,000	(250,000)	-7.7%
Capital	0	0	0	0.0%
Total	4,112,886	3,813,868	-299,018	-7.3%
Cash	511,893	511,053	(840)	-0.2%



Agency Overview

The Department of Labor (DOL) has three primary functions: unemployment insurance (UI) administration, workforce development, and Labor law compliance and regulation.

Approximately 80 percent of DOL's appropriation authority ($3 billion) allows payment of claims to unemployed workers from the unemployment insurance taxes collected from employers. The State receives Federal funds to support UI program administration, but the amount of these funds are reduced each year requiring the State to develop more efficient delivery systems. For example DOL now operates UI benefit Tele-claims call centers in Endicott and Troy. In addition it has an ongoing initiative to upgrade the UI computer system.

DOL's workforce programs, including DOL's network of 78 local One-Stop workforce centers and the Advance-NY incumbent worker training program are Federally funded and operate under a framework provided by the Federal Workforce Investment Act (WIA) Act

Budget Proposal:

Annual funding for workforce programs has seen significant reductions. In SFY 2007-08, the Legislature provided funding to support 29 local or State wide workforce programs including on-the job-training, cooperative workforce programs with labor unions, and youth work opportunity programs.

In 2007, DOL established the Bureau of Immigrant Worker's Rights to detect and address abuses of immigrant workers. In addition, Executive Order No. 17 established the Joint Task Force on Employee Misclassification. DOL investigations will target employers that classify workers as "independent contractors" when they should be classified as employees.

Unemployment Insurance System

The SFY 2008-09 Budget appropriates $461 million for UI administration and $21.5 million for occupational training programs for unemployed workers.

The SFY 2008-09 Executive Budget reduces the appropriation for unemployment insurance by $225 million from $3.25 billion to $3 billion. This reduction is based on estimates that project lower claim levels in the upcoming year; however, given recent economic conditions.

Proposed Article VII Legislation extends the statutory authority to assess a surcharge on employers to pay interest due to the Federal government in the event that the State would have to borrow Federal funds to cover UI claims. The last instance where the UI system accessed Federal funds was after the September 11th, 2001 terrorist attack.

UI System Modernization Project - DOL continues to implement a $100 million project to overhaul the UI computer system. Some elements of the existing system are 40 years old. This year the Executive proposes providing $17.2 million in funding for the project from three sources: UI Reemployment Services ($10.2 million), UI Control Fund ($2 million) and UI Interest and Penalty ($5 million).

Employment and Training Programs

The SFY 2008-09 Executive Budget provides $261.6 million for employment and training, a decrease of $5.2 million over the prior year. Program staff would be reduced by five full-time equivalents (FTEs).

SFY 2007-08 Legislative initiatives - The Executive Budget proposal eliminates all funding ($18.7 million) for Legislative initiatives including the Displaced Homemaker Program, the Chamber On-the-Job Training Program and the Jobs for Youth Program, as well as 26 additional programs.

Worker Protection Programs

The State's worker protection programs are funded through fees, penalties and license payments.

Labor Standards-The Executive recommends $26.7 million in funding, a $1.1 million increase over the prior year. Recommended staffing for this unit is 282 FTEs) an increase of three FTEs from SFY 2007-08.

Occupational Safety and Health -The Executive recommends $39.5 million in funding for programs, a $1.5 million increase over the prior year. The Executive's budget proposal recommends that two additional employees be added to this unit bringing the total to 284 FTEs.

State Employment Relations Board (SERB)

The Executive's Budget provides funding of $1.7 million, unchanged from SFY 2007-08. The Executive proposes Article VII legislation that would assess both parties to SERB administered arbitration a $750 fee. Currently, services are provided free of charge. Fees are expected to generate $225,000 annually and would be used to offset Board expenses. Another Article VII proposal would change the compensation for SERB Board members from a full annual salary to a per diem rate of $350, for a projected savings of $109,000 annually.

Disaster Relief Program

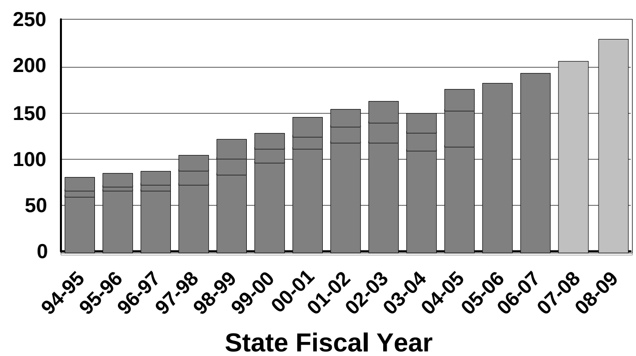
Responsibility for administering the Federal Disaster Relief program will be transferred from DOL to the Federal Emergency Management Agency (FEMA), resulting in a reduction of $50 million in appropriation authority for DOL.

Senate Finance Contact:
Lilian Kelly ext. 2931

DEPARTMENT OF LAW

Appropriations and Spending (Thousands of Dollars)				
	Adjusted	Proposed	Change	
Fund	2007-08	2008-09	Amount	Percent
General	134,360	134,360	0	0.0%
Special	68,152	75,801	7,649	11.2%
Federal	37,480	39,434	1,954	5.2%
Other	0	0	0	0.0%
Capital	0	0	0	0.0%
Total	239,992	249,595	9,603	4.0%
Cash	205,763	229,081	23,318	11.3%

Millions of Dollars - Disbursements



<u>Agency Overview</u>

The Department of Law was created in 1926 and is headed by the State Attorney General, who is elected by the people of New York State. The Department is responsible for protecting the legal rights of New York State and its citizens by representing the State in litigation and in other legal affairs.

<u>Budget Proposal:</u>

The Executive Budget recommends All Funds appropriations of $249.6 million in SFY 2008-09, an increase of $9.6 million or 4 percent over current levels. The Executive's submission is in accordance with the budget proposed by the Department.

<u>Special Revenue Funds:</u>

The Executive Budget recommends an increase of $7.6 million in Special Revenue Fund spending. This increase is the result of $4.5 million in inflationary adjustments for current programmatic operating costs and the following four departmental initiatives:

- <u>Project Sunlight – Version 2.0</u>: In SFY 2007-08, the Legislature included initial funding for the Attorney General’s Project Sunlight initiative which will promote government-wide disclosure by collecting, standardizing and publishing data from the myriad statewide databases into a single database. Project Sunlight will yield greater transparency in government by dramatically improving the accessibility of public information.

  In SFY 2008-09, the Attorney General requested **an additional $1.04 million for phase two of the project** which would provide a more comprehensive database, improved search functions and a Spanish language version. To accomplish these goals, 12 additional information technology staff positions are necessary.

- <u>The 'No Where to Hide' Program</u>: The Attorney General recently revealed this new initiative to utilize the Office's statutory powers to combat criminal activity by identifying commercial and residential rental properties habitually used by criminals to conduct illegal activities and holding the landlords of these properties accountable by forcing them to make improvements to their properties to dissuade crime.

  To implement this program, the Executive proposes **$373,000 for four new full time equivalent positions** (two investigators and two paralegals) to gather and develop the necessary evidence to partner with local law enforcement and community groups to identify properties which pose the greatest risks.

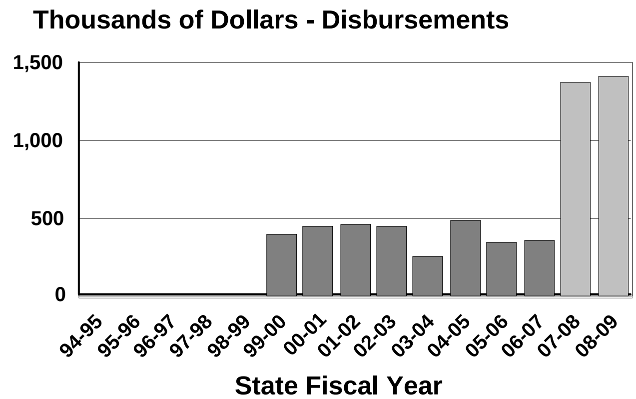
- <u>Real Estate Finance Bureau</u>: Under Article 23A of the General Business Law, the Office of the Attorney General must within 30 days review all plans to build or convert existing buildings to co-ops or condominiums. Due to a dramatic increase in plan filings over the past five years and key staff shortages, the Office has been unable to meet the 30 day legal requirement. The delay has resulted in a serious backlog of registrations and complaints from the real estate community. To address this issue, the Executive proposes **ten additional staff for the Bureau at a cost of $1.2 million**.

- <u>Medicaid Fraud Control Unit</u>: Detection and prosecution of Medicaid fraud in the State of New York has been a highly publicized issue in recent years as Medicaid spending continues to increase. As a result, the State and Federal government have dedicated more resources to protecting against this crime. The Executive proposes a 35 additional legal, audit and investigative positions in the Medicaid Fraud Control Unit in SFY 2008-09, **9 positions paid for with State funds ($500,000) and 26 paid for with a Federal funding increase of $1.5 million**.

Senate Finance Contact:
Lauren King ext. 2935

OFFICE OF LIEUTENANT GOVERNOR

Appropriations and Spending (Thousands of Dollars)				
	Adjusted	Proposed	Change	
Fund	2007-08	2008-09	Amount	Percent
General	1,378	1,378	0	0.0%
Special	0	0	0	0.0%
Federal	0	0	0	0.0%
Other	0	0	0	0.0%
Capital	0	0	0	0.0%
Total	1,378	1,378	0	0.0%
Cash	1,378	1,420	42	3.0%



Agency Overview

This Office includes the staff necessary to assist the Lieutenant Governor in performing his duties.

Budget Proposal:

The Executive Budget recommends General Fund appropriations of $1.38 million and a staffing level of 15 full time equivalent positions in SFY 2008-09. Both funding and staffing levels remain unchanged from the current year.

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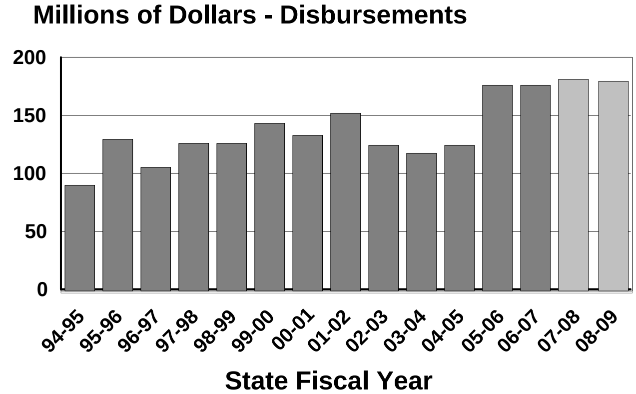
Senate Finance Contact:
Lauren King ext. 2935

DIVISION OF THE LOTTERY

Appropriations and Spending (Thousands of Dollars)				
	Adjusted	Proposed	Change	
Fund	2007-08	2008-09	Amount	Percent
General	0	0	0	0.0%
Special	132,357	120,314	(12,043)	-9.1%
Federal	0	0	0	0.0%
Capital	0	0	0	0.0%
Total	132,357	120,314	(12,043)	-9.1%
Cash	182,527	180,147	(2,380)	-1.3%



Agency Overview

The New York State Lottery is an independent division of the Department of Taxation and Finance. It was established in 1966 as a result of a voter referendum. The purpose of the Lottery is to raise revenues for education in the State of New York through the sale of Lottery products. The six basic game types include:

- Instant scratch-off games;
- Pari-mutuel numbers games with drawings conducted nine times per week and payouts based upon sales;
- Twice daily fixed payout games (“Numbers” and “Win-4”);
- Nightly “Pick 10” which allows patrons to choose ten numbers from a field of eighty and “Quick Draw” consisting of an on-line game drawn every four minutes;
- “Mega Millions”, a multi-jurisdictional game in which the New York Lottery participates with Georgia, Illinois, Massachusetts, Maryland, Michigan, New Jersey, Ohio, Texas, Virginia, Washington and California. The game has a pari-mutuel payout for the first prize and fixed payouts for lower tier prizes; and
- Video Lottery games offered at various racetracks through out the State.

Budget Proposal:

The SFY 2008-09 Executive Budget recommends $120.3 million in appropriations to support agency operations. This proposed level of funding for the administration of the Lottery Programs represents a net decrease of $12 million or 9 percent from the previous year. The net decrease is primarily attributable to nonpersonal services expenditures in administering the Lottery.

Proposed Legislation/Article VII:

The Executive has proposed legislation to permanently extend the Division of Lottery’s authority to operate Quick Draw, presently scheduled to sunset on May 31, 2008 and eliminate the restrictions on the Game relating to food sales, hours of operation and the size of the facility, as well as, authorizing video lottery gaming at Belmont Park and increasing the current commission rate at Aqueduct to 32 percent of net machine income. Additionally the Executive Budget proposes to "privatize" portions of the Lottery to fund a Higher Education Endowment. However, the Executive has not yet advanced Article VII language to implement such a proposal.

Sales:

Total regular Lottery sales are projected to exceed $6 billion in SFY 2008-09 while net receipts for education are projected at $2.8 billion. This represents an increase of $207 million or 7.4 percent over the SFY 2007-08 net receipt level and includes the Video Lottery Program at Racetracks, estimated to generate $514 million for education.

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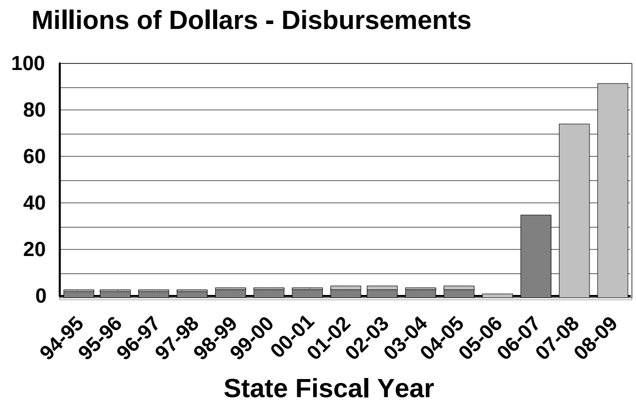
OFFICE OF MEDICAID INSPECTOR GENERAL

Appropriations and Spending
(Thousands of Dollars)

Fund	Adjusted 2007-08	Proposed 2008-09	Change Amount	Change Percent
General	32,052	36,044	3,992	12.5%
Special	5,257	5,185	(72)	0.0%
Federal	60,686	50,610	(10,076)	-16.6%
Other			0	0.0%
Capital	0	0	0	0.0%
Total	97,995	91,839	(6,156)	-6.3%
Cash	74,017	91,803	17,786	24.0%



Agency Overview

The Office of Medicaid Inspector General (OMIG) was created as part of the SFY 2006-07 Enacted Budget. The mission of this organization is to eliminate fraudulent activities in New York State's Medicaid program. The Office of Medicaid Inspector General is charged with working with other State agencies including the Department of Health and the Department of Law to conduct fraud, waste and abuse control activities in the Medicaid Program.

Budget Proposal:

The SFY 2008-09 Executive Budget includes $91.8 million in All Funds support for the agency, reflecting a decrease of $6.2 million or 6.3 percent. This decrease in funding is attributed to a reduction of $10.2 million to reflect lower federal spending offset by an increase of $3.9 million associated with personal and non-personal services expenses. Actual disbursements for the office are expected to increase by $17.7 million or 24 percent.

The SFY 2008-09 Executive Budget includes an additional $4 million in General Fund support to provide 75 new staff and the acquisition of new technology. Of this $4 million increase, $700,000 would fund the 75 new staff starting January 1, 2009. The remaining balance of the $4 million would allow for purchasing additional data mining software; and expanding the card swipe program.

The SFY 2008-09 Executive Budget also proposes antifraud legislation designed to reduce Medicaid fraud and abuse activities in New York State. Provisions of the proposed legislation include:

- Establishing civil penalties for the misappropriation of Medicaid funds, and allowing the Medicaid Inspector General to recoup such funds;
- Expanding the Office of Medicaid Inspector General's access to provider tax returns;

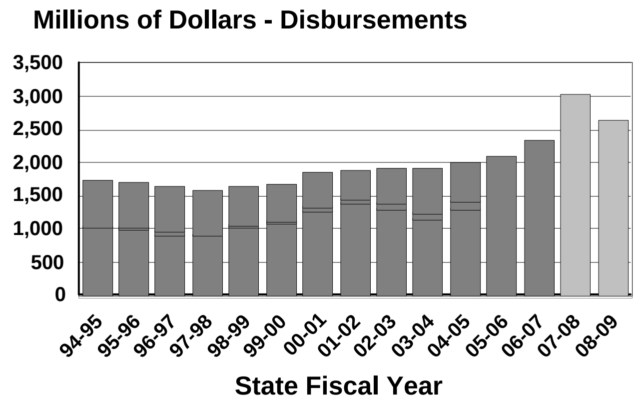
- Providing the OMIG with access to complaints filed with the Attorney General under the False Claims Act.

The SFY 2008-09 Executive Budget includes $160 million in additional State savings as a result of increased fraud recoveries from the Medicaid program. The total expected audit recovery target for SFY 2008-09 is $560 million, and increase of 37.2 percent.

Senate Finance Contact:
Jacqueline Y. Donaldson ext. 2020

OFFICE OF MENTAL HEALTH

Appropriations and Spending (Thousands of Dollars)				
Fund	Adjusted 2007-08	Proposed 2008-09	Change Amount	Change Percent
General	496,387	563,815	67,428	13.6%
Special	1,102,456	2,616,391	1,513,935	137.3%
Federal	39,192	45,984	6,792	17.3%
Other	11,134	11,134	0	0.0%
Capital	646,052	446,822	(199,230)	-30.8%
Total	2,295,221	3,684,146	1,388,925	60.5%
Cash	3,021,671	2,644,468	(377,203)	-12.5%



Agency Overview

The public mental health system of New York State encompasses programs operated by the Office of Mental Health (OMH), as well as those that are certified and funded by the State, but operated in local communities by local governments, not-for-profit and for profit providers. The primary populations served by these programs are adults who have a serious and persistent mental illness and have experienced substantial problems in functioning independently, and children with serious emotional disturbances. The Office operates 25 psychiatric centers, three facilities serving forensic patients involved with the criminal justice system, and provides mental health services in 23 sites around the State to inmates incarcerated in Department of Correctional Services' facilities. Also, OMH operates two research facilities which are involved in the causes and treatment of mental illness.

Budget Proposal

The SFY 2008-09 Executive Budget recommends All Funds appropriations of $3.6 billion, an increase of $1.3 billion above the SFY 2007-08 funding level. This increase is largely attributed to the Executive proposal to shift all of the State share of Medicaid spending out of the mental hygiene agencies and into the Department of Health in the current State Fiscal Year. This funding will ultimately be transferred in SFY 2008-09 to the Mental Hygiene agencies to a new special revenue fund known as the Mental Hygiene Program Fund.

State Operations

The SFY 2008-09 Executive Budget recommends $7.1 million in new funding for the continuation of the Sexual Offender Management and Treatment Act (SOMTA). Total staffing for the SOMTA program is anticipated to be 890 FTEs by March 31, 2009, an increase of 256 FTEs above SFY 2007-08 levels. In addition, the Executive Budget proposes new funding of $2.3 million for targeted salary enhancements for clinical staff at OMH.

The 2008-09 Executive Budget recommendation includes $4.5 million for 61 additional FTEs to enhance services for State prison inmates with mental illness who are currently housed in Special Housing Units. In addition, the Executive recommends an increase of $1 million to continue the expanded use of the Psychiatric Clinical Knowledge Enhancement System (PSYCKES), the medications and prescription management program for use in community mental health settings.

The Executive Budget recommends a reduction of $750,000 in personal service costs associated with delaying the hiring of 15 FTE positions at the New York Psychiatric Institute and the Nathan Kline Institute. The savings are recommended due to delays in filling specialized and difficult to recruit positions added in the SFY 2007-08 budget.

Local Assistance

The SFY 2008-09 Executive Budget recommendation includes $5 million in new State Medicaid resources to begin a multi-year initiative to reduce reliance on costly inpatient and emergency services. This funding recommendation would support reforming clinic funding in an effort to provide fiscal relief to mental health clinics. In the children's mental health area, the Executive recommends removing barriers to specialty mental health treatment for children by allowing for the designation of more clinics that serve children enrolled in managed care.

In addition, the SFY 2008-09 Executive Budget proposal includes $30.1 million for the final year of the current three-year cost of living adjustment (COLA) for certain residential and non-residential community-based programs. The Executive also advances Article VII legislation extending the COLA for another three years through SFY 2011-12.

The SFY 2008-09 Executive Budget also provides resources to enable the OMH to work with other State agencies on certain initiatives. Specifically, $5 million in new funding is provided to support an OASAS/OMH/DOH collaboration on demonstration programs to improve care coordination and integration of health and behavioral health services for high cost Medicaid recipients.

Capital Projects

The SFY 2008-09 Executive Budget recommendation provides capital appropriations of $125 million for 500 new Single-Room Occupancy efficiency apartments throughout the State. In conjunction with the Department of Health and the Commission on Quality of Care and Advocacy for Persons with Disabilities, the Executive Budget recommends $20 million to purchase Adult Homes and convert them into OMH housing.

In addition, the SFY 2008-09 Executive Budget proposes a reduction of $60.2 million in bonded appropriation for State facilities, primarily due to delays in the design and programming phase of the Bronx Campus Redevelopment Project.

Article VII

The Executive includes language which would expand the definition of a voluntary agency to include any entity receiving assistance from the Housing Finance Agency (HFA) or Division of Housing and Community Renewal (DHCR) for integrated housing projects. This proposal would grant the Office of Mental Health (OMH), the Office of Alcohol and Substance Abuse Services (OASAS), and

OMRDD the authority to participate with HFA or DHCR in financing integrated housing development by voluntary agencies.

In addition, the Executive proposes Article VII legislation eliminating mental health outpatient services as services that can be considered specialized under Public Health Law. This proposal is intended to generate savings of $2.1 million in the State share of Medicaid annually in the DOH budget.

The SFY 2008-09 Executive Budget also proposes language to enable Medicaid to reimburse providers the higher of the Medicare co-pay or up to the Medicaid rate for programs licensed by OMH for enrollees eligible for both Medicaid and Federal Medicare. This measure is intended to enable providers to support enhanced mental health services for the Medicaid/Medicare crossover population.

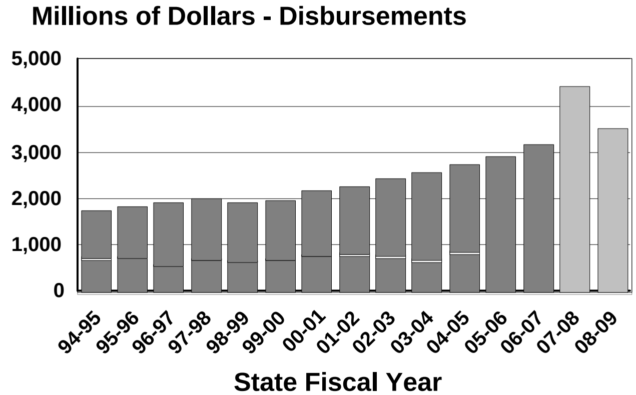
In addition, the SFY 2008-09 Executive Budget proposes Article VII language to extend the authorization for the Comprehensive Psychiatric Emergency Program (CPEP). The statutory authority for the CPEP program expires on July 1, 2008. This proposal would extend CPEPs through July 1, 2012.

Senate Finance Contact:
David K. King ext. 2937

OFFICE OF MENTAL RETARDATION AND DEVELOPMENTAL DISABILITIES

Appropriations and Spending
(Thousands of Dollars)

Fund	Adjusted 2007-08	Proposed 2008-09	Change Amount	Change Percent
General	1,380,877	1,425,927	45,050	3.3%
Special	1,678,185	2,808,550	1,130,365	67.4%
Federal	3,495	630	(2,865)	-82.0%
Other	2,756	2,806	50	1.8%
Capital	138,355	192,420	54,065	39.1%
Total	3,203,668	4,430,333	1,226,665	38.3%
Cash	4,424,095	3,515,663	(908,432)	-20.5%



Agency Overview

The Office of Mental Retardation and Developmental Disabilities (OMRDD) oversees an institutional and community-based system of care for 140,000 developmentally disabled New Yorkers and their families through a network of not-for-profit providers, thirteen State developmental centers and numerous State-operated community-based programs. The Office presently serves approximately 38,000 persons in conjunction with local governments and not-for-profit providers in certified community residential settings. In addition, OMRDD provides community day services to about 55,000 persons annually, assists in the care of 20,000 persons with developmental disabilities who live alone and another 42,000 individuals who live with their families.

Budget Proposal

The SFY 2008-09 Executive Budget recommends All Fund appropriations of $4.4 billion to support a comprehensive OMRDD developmental disabilities system, an increase of $1.2 billion above SFY 2007-08. This increase is largely attributable to technical adjustments associated with the restructuring of Medicaid resources. The Medicaid restructuring initiative reflects a cost-neutral effort intended to improve transparency and enable readers of the State's Financial Plan to see the total costs of the State's Medicaid program for each agency that provides Medicaid services.

State Operations

Due to the Executive's Medicaid appropriation restructuring initiative, state operations funding for OMRDD will no longer be supported by the State's General Fund. Instead, state operations costs would be supported by either the new special revenue Mental Hygiene Program Fund or the existing Patient Income Account (PIA). Historically, the State share of the Medicaid program was appropriated through the various agencies participating in the Medicaid program, including OMRDD. This initiative results in appropriation restructurings which generally reflect a $2.7 billion increase in General Fund State Medicaid share resources in the Department of Health (DOH) and a concomitant decrease in General Fund in the Mental Hygiene agencies.

Deinstitutionalization

The SFY 2008-09 Executive Budget provides funding to continue the State's commitment to deinstitutionalize those individuals who can benefit from an integrated community-based environment. As such, the Executive recommendation includes $4.2 million to support the first year of a multi-year effort to develop additional residential opportunities in the community for people living in other institutional settings, such as nursing homes and OMRDD specialized behavioral units.

This plan to downsize Developmental Center capacity will be complemented by additional not-for-profit residential opportunities that will help reduce the number of residents in these settings over each of the next three years. This multi-year initiative is intended to place more than 500 current Developmental Center residents into community care settings, and will position the Western NY Developmental Center for closure in 2010-11.

Expanded OMRDD Work Opportunities

The SFY 2008-09 Executive Budget provides funding of $1.5 million to enhance OMRDD's employment programs, including the establishment of a self-advocate paid internship program to facilitate skill development and employment opportunities. This funding request would authorize OMRDD to add 128 internships in SFY 2008-09 at an annual cost of $3 million with a phase-in amount of $1.5 million in the first year.

Local Assistance

The SFY 2008-09 Executive Budget provides funding to support the cost of continuing existing local assistance programs, including $52.5 million for a 3.52 percent trend factor adjustment for eligible Medicaid programs. In addition, the Executive provides funding to support annualizations of prior-year actions including $13.2 million for the continuation of the New York State – Creating Alternatives in Residential Environments and Services (NYS-Cares) program.

In addition, the Executive provides funding of $13 million for 186 new beds to develop in-state service options for children placed in higher cost out-of-state placements. This initiative is a joint effort with the State Education Department (SED) to develop in-state residential and educational opportunities for those children living out-of-state, or who are at risk of being placed in an out-of-state school.

The Executive also provides funding of approximately $5 million for the final year of a three-year cost-of-living adjustment (COLA) for eligible providers. The recommendations also extend the COLA for another three years through March 31, 2012.

The SFY 2008-09 Executive Budget provides $2 million in new funding to expand Family Support Services to help families care for their loved ones with disabilities at home. In addition, $500,000 in new resources is recommended to support new and enhanced services to approximately 1,300 individuals with autism or autism spectrum disorder.

Rationalize Mental Hygiene Reimbursement

The SFY 2008-09 Executive Budget recommends various local assistance efficiencies including an effort to modify current reimbursement strategies to allegedly promote more cost-effective and appropriate service delivery. Under the Executive proposal, OMRDD will be revising reimbursement standards for its Individualized Residential Alternatives, Intermediate Care Facilities, Day Habilitation and Article 16 and 28 Clinic programs in an effort to establish more uniform and cost-effective rates. These efforts will produce $5 million in State savings in SFY 2008-09, and generate $40 million in savings when fully annualized with the other mental hygiene agencies.

Article VII

The Executive includes language which would expand the definition of a voluntary agency to include any entity receiving assistance from the Housing Finance Agency (HFA) or Division of Housing and Community Renewal (DHCR) for integrated housing projects. This proposal would grant the Office of Mental Health (OMH), the Office of Alcohol and Substance Abuse Services (OASAS), and OMRDD the authority to participate with HFA or DHCR in financing integrated housing development by voluntary agencies.

Capital Projects

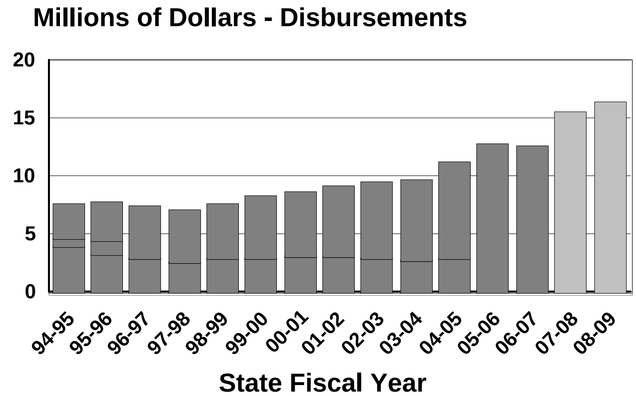
The SFY 2008-09 Executive Budget recommends a net increase of $54 million in capital appropriations. This is primarily attributed to increased costs associated with the Bernard Fineson Developmental Center relocation project. The Executive has also recommended an increase of $1.6 million for minor rehabilitation projects at OMRDD developmental centers, and $2.5 million for pilot projects associated with the “greening” of residential homes.

Senate Finance Contact:
David K. King ext. 2937

COMMISSION ON THE QUALITY OF CARE AND ADVOCACY FOR PERSONS WITH DISABILITIES

Appropriations and Spending
(Thousands of Dollars)

Fund	Adjusted 2007-08	Proposed 2008-09	Change Amount	Change Percent
General	4,609	5,481	872	18.9%
Special	4,253	4,134	(119)	-2.8%
Federal	6,990	7,260	270	3.9%
Other	45	45	0	0.0%
Capital	0	0	0	0.0%
Total	15,897	16,920	1,023	6.4%
Cash	15,592	16,414	822	5.3%



Agency Overview

The mission of the Commission on Quality of Care and Advocacy for Persons with Disabilities (CQCAPD) is as follows: to promote inclusion of persons with disabilities in all aspects of community life; to play an active role in developing innovative opportunities and supports that respond to the needs of New Yorkers with disabilities; to provide oversight of the Department of Mental Hygiene that collectively spends more than $6 billion annually; to monitor conditions of care for people with mental disabilities in State institutions, licensed residential facilities and outpatient programs; and to make recommendations to improve quality of care with respect to persons with mental and physical disabilities.

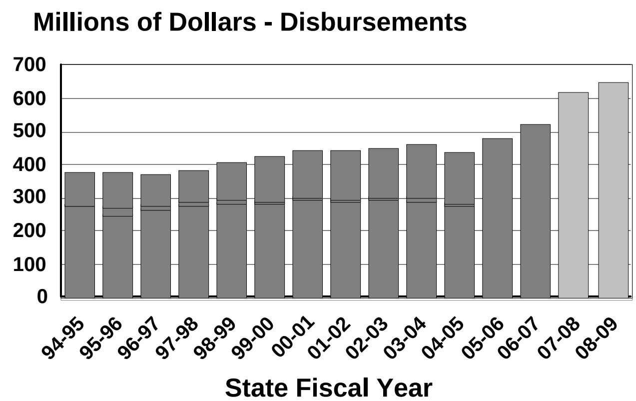
Budget Proposal

The SFY 2008-09 Executive Budget recommends All Funds appropriations of $16.9 million, an increase of approximately $1 million from SFY 2007-08. This increase is primarily attributed to the funding of two new positions to administer the Interagency Coordinating Council for Services to Persons who are Deaf, Deaf-Blind or Hard of Hearing ($144,000), and 14 new positions to comply with the Special Housing Unit legislation (SHU) which establishes alternatives to solitary confinement for mentally ill inmates ($750,000).

Senate Finance Contact:
David K. King ext. 2937

OFFICE OF ALCOHOLISM AND SUBSTANCE ABUSE SERVICES

Appropriations and Spending (Thousands of Dollars)				
	Adjusted	Proposed	Change	
Fund	2007-08	2008-09	Amount	Percent
General	145,337	151,478	6,141	4.2%
Special	250,232	333,664	83,432	33.3%
Federal	141,913	141,918	5	0.0%
Other	0	0	0	0.0%
Capital	119,606	121,336	1,730	1.4%
Total	657,088	748,396	91,308	13.9%
Cash	617,354	649,878	32,524	5.3%



Agency Overview

The Office of Alcoholism and Substance Abuse Services (OASAS) administers the State's comprehensive program for treating persons addicted to alcohol and other chemical dependencies, for preventing the harmful use of substances, and for researching the basic aspects of addictions.

Budget Proposal

The SFY 2008-09 Executive Budget recommends an All Funds operating budget of $748 million, an increase of $91.3 million above SFY 2007-08. This increase is largely attributed to the Executive proposal to shift all of the State share of Medicaid spending out of the mental hygiene agencies and into the Department of Health in the current State Fiscal Year. This funding will ultimately be transferred in SFY 2008-09 to the Mental Hygiene agencies to a new special revenue fund known as the Mental Hygiene Program Fund.

State Operations

The SFY 2008-09 Executive Budget recommends additional funding to support the continuation of existing State-operated programs, including $800,000 for rental increases and $1.4 million for inflationary adjustments. In addition, the Executive provides new funding of $200,000 to permit OASAS to replicate a swing bed detoxification program at its Ward Addiction Treatment Center, and $300,000 for the expansion of compulsive gambling prevention programs in SFY 2008-09. The Executive also provides funding of $200,000 to enable OASAS to explore opportunities to streamline processes and funding associated with chemical dependence treatment services to public assistance recipients in OASAS-certified residential facilities.

Local Assistance

The SFY 2008-09 Executive Budget provides new local assistance funding for the following program enhancements: $800,000 to establish 125 supported housing units outside of New York City and Long Island; $500,000 to establish 21 Recovery Community Centers modeled after the Federal Recovery Community Support Services program; and $440,000 to expand problem gambling prevention services to an additional 18 counties in SFY 2008-09.

The Executive Budget also recommends funding to continue existing local assistance programs, including: $3 million for the New York/New York III agreement; $900,000 for the cost of 60 new beds for adolescents and women with children; and $1 million to offset an anticipated reduction in Federal Safe and Drug Free Schools and Communities funding.

In addition, the Executive provides funding of $12.5 million for the third year of a cost of living adjustment (COLA) as well as a reconciliation payment for the prior year COLA. The Executive also provides $1.5 million to help OASAS expand intensive care initiatives to improve patient care and outcomes with the establishment of a co-occuring disorders program and the addition of three county-based dual diagnosis coordinators.

Capital Projects

The Executive recommends $121 million in capital funding, an increase of $1.7 million over SFY 2007-08 levels. This funding is recommended to support OASAS infrastructure and continues the initiative to either relocate or extensively renovate existing chemical dependence treatment programs. In addition, funding for the development of 100 Veterans beds and 100 Community Residential and Supportive Living beds on Long Island is reappropriated.

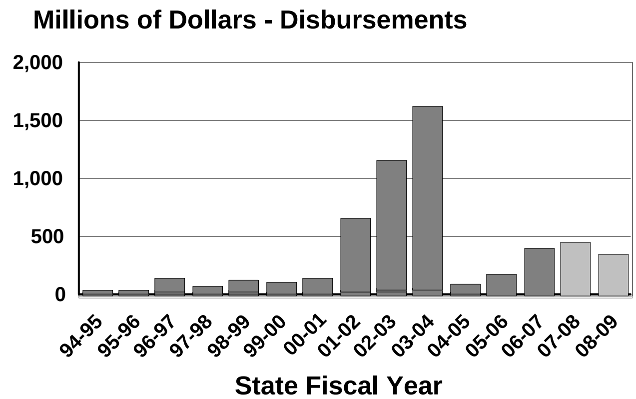
Article VII

The Executive Budget includes language which makes permanent the transfer of compulsive gambling oversight from OMH to OASAS. The authority for OASAS to oversee compulsive gambling is set to expire and revert back to OMH on April 1, 2009.

Senate Finance Contact:
David K. King ext. 2937

DIVISION OF MILITARY AND NAVAL AFFAIRS

Appropriations and Spending (Thousands of Dollars)				
	Adjusted	Proposed	Change	
Fund	2007-08	2008-09	Amount	Percent
General	114,376	24,671	(89,705)	-78.4%
Special	12,515	17,915	5,400	43.1%
Federal	357,830	54,041	(303,789)	-84.9%
Other	0	0	0	0.0%
Capital	36,100	30,700	(5,400)	-15.0%
Total	520,821	127,327	(393,494)	-75.6%
Cash	462,207	360,263	(101,944)	-22.1%



Agency Overview

The Division of Military and Naval Affairs (DMNA) has a dual mission.

First, it is responsible for the provision of a well trained and equipped reserve military force which includes the Army National Guard, Naval Militia and Air National Guard. The State Militia must be capable of immediate integration with their active force counterparts in the event of a Federal mobilization and be capable of assisting civil authorities in the event that disasters, disturbances or other emergencies occur.

Second, DMNA is responsible for the State Emergency Management Office (SEMO). SEMO is tasked with coordinating the State's response to disasters and oversees disaster preparedness planning and programs.

Budget Proposal:

The SFY 2008-09 Executive Budget recommends All Funds appropriations of $127.3 million, a decrease of $393.4 million from the SFY 07-08 budget. This decrease reflects nonrecurring Federal Disaster funds of $300 million for past disasters, the $90 million State share of the disaster funds, and a $3.4 million reduction in Federal Emergency Management Performance Grants. The Executive recommends increasing the staff level from 652 in SFY 07-08 to 654 in SFY 08-09. New staff will be placed at SEMO to serve as permanent coordinators in Disaster Recovery Centers.

State Operations:

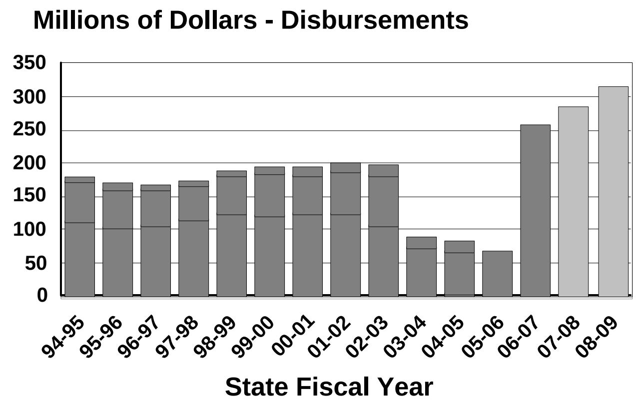
The SFY 2008-2009 Executive Budget recommends Special Revenue Funds appropriations of $16.2 million, an increase of $5.4 million. The Executive also proposes $5.4 million in new funding to establish the New York Alert account, which would provide state of the art rapid emergency notification in "real time". This funding would allow for capacity expansion for additional users. An increase of $200,000 will be used to support the volunteers of the New York Guard.

Proposed Legislation: The Executive proposes requiring nuclear facilities to pay an assessment in an amount that allows the State to recover costs for the deployment of militia to providing security to licensed nuclear facilities.

Senate Finance Contact:
Nicole C. Fosco, ext. 2928

DEPARTMENT OF MOTOR VEHICLES

Appropriations and Spending (Thousands of Dollars)				
	Adjusted	Proposed	Change	
Fund	2007-08	2008-09	Amount	Percent
General	0	0	0	0.0%
Special	95,970	99,139	3,169	3.3%
Federal	33,200	32,105	(1,095)	-3.3%
Other	9,500	10,500	1,000	10.5%
Capital	200,378	221,453	21,075	10.5%
Total	339,048	363,197	24,149	7.1%
Cash	285,613	316,215	30,602	10.7%



Agency Overview

The Department of Motor Vehicles (DMV) promotes safety on the State's highways by licensing drivers, registering motor vehicles and providing consumer protection and information services. DMV operates from its headquarters in Albany, three regional offices in Albany, Long Island and New York City, and 28 district and branch offices. County Clerk offices act as DMV agents at 101 locations throughout the state. DMV served more than 20 million customers last year, and collected $1.35 billion in revenue for the State and localities. In addition, over two million transactions per year are processed via the DMV website.

Budget Proposal:

The SFY 2008-09 Executive Budget recommends All Funds appropriations of $363.2 million, an increase of approximately $24.1 million, or 7.1 percent over the current year. The additional funding is primarily to support the Federal Western Hemisphere Travel Initiative (WHTI), and a new Internet Point Insurance Reduction Program (IPIRP).

Of total projected appropriations, $221.5 million, or 61 percent of DMV's budget is financed by revenues from the Dedicated Highway and Bridge Trust Fund (DHBTF), which supports 1,978 full-time equivalent (FTE) positions within the Department. The Executive's total recommended staffing level for DMV is 2,943. This represents an increase of 114 FTEs, attributable to WHTI compliance (110 FTEs) and the IPIRP initiative (4 FTEs).

Administrative Adjudication Program:

DMV adjudicates traffic violations at 11 locations in New York City and other locations across the State. The program is financed with fines collected from violators and supports 450 FTEs. The SFY 2008-09 Executive Budget recommends an appropriation of $44.9 million to support the program, an increase of $456,000 (one percent) from the current year.

Governor’s Traffic Safety Committee:

The State’s highway safety program is financed with mostly Federal funding to support initiatives including the promotion of proper child safety seat use, the Click It or Ticket campaign to increase seatbelt use, and educational programs for motorists convicted of alcohol or drug-related driving offenses. The SFY 2008-09 Executive Budget includes $32.1 million in Federal funding for the program, down $1.1 million from the current year to reflect a projected decrease in grants.

Western Hemisphere Travel Initiative:

The Federal Government’s Western Hemisphere Travel Initiative (WHTI) requires travelers to present secure documentation of citizenship and identity when entering or leaving the United States. DMV is planning to provide optional enhanced driver’s licenses and non-driver photo identification cards meeting US Department of Homeland Security (DHS) WHTI compliance standards.

The Executive Budget proposes an endorsement fee of $20 per enhanced document, in addition to the existing $55 and $15 fees for new and replacement cards. Counties would retain 30 percent of the endorsement fee to offset their costs, compared to 12.7 percent of the base fee. DMV estimates $52.5 million in total state revenues next year from customers requesting the WHTI license, and $4.7 million in county revenues.

Costs for WHTI are projected to total $15.9 million in SFY 2008-09. The total includes $3.9 million for technology procurement supporting anti-fraud initiatives (i.e., photo-comparison and identity authentication equipment). DMV also plans an increase of 110 FTEs to accommodate additional WHTI customers.

Motor Vehicle Insurance Fee Increase:

The Executive proposes to raise the Motor Vehicle Law Enforcement and Highway Safety fee from $5 to $20. This fee is collected annually from insurance policy holders for each insured motor vehicle. The fee was increased from $1 to $5 in 2003, and is scheduled to revert to $1 on March 31, 2008.

Fee revenue is currently divided between the State Police and the motor vehicle theft and insurance fraud prevention fund. The Executive’s proposal would dedicate $5 of the $15 increase to the State Police, and $10 to a new bridge safety initiative in the Dedicated Highway and Bridge Trust Fund. The increase would raise $194 million annually in new revenue.

Internet Point Insurance Reduction Program:

The SFY 2008-09 Executive Budget proposes to fund a pilot Internet Point Insurance Reduction Program (IPIRP), pursuant to Article 12-C of the Vehicle and Traffic Law. This initiative would study the effectiveness of allowing drivers to reduce the number of points on their licenses through completion of an internet accident prevention course. Recommended funding for the program totals $1.4 million, supported by course provider and participant fees. Funding for IPIRP was also proposed in 2006 and 2007 and was rejected both times by the Legislature.

Other Initiatives:

An Executive Article VII provision would bring New York State law into **compliance with Federal requirements for commercial driver’s licenses (CDLs)**. The proposed statutory changes would: make a criminal history check mandatory for hazardous materials endorsements, establish a one-year minimum license revocation for leaving accident scenes, trigger sanctions based on serious violation commissions rather than convictions in the past three years, increase suspension durations for out-of-service order violations, expand the criteria for disqualification for a CDL to include alcohol-related offenses, and conform fines and penalties to Federal law. These changes were prompted by a Federal audit, and would avoid the loss of up to $31 million in Federal highway funding.

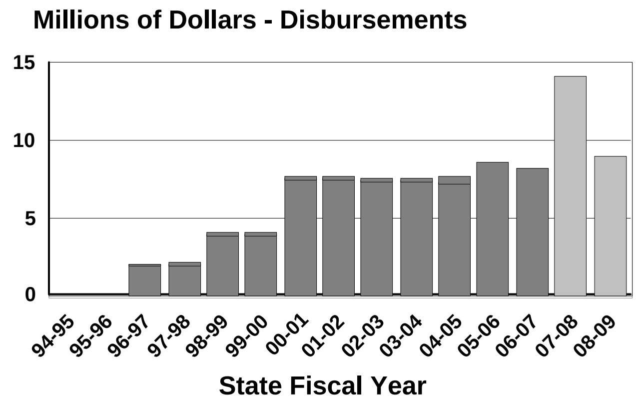
The Executive also proposes Article VII legislation to **transfer adjudication of traffic tickets in the City of Buffalo** from the DMV Traffic Violations Bureau to the City by June 2009. This will result in DMV saving $600,000, and correspondingly increase the fine revenues received by Buffalo.

Senate Finance Contact:
Eugene Sit ext. 2754

OLYMPIC REGIONAL DEVELOPMENT AUTHORITY

Appropriations and Spending
(Thousands of Dollars)

Fund	Adjusted 2007-08	Proposed 2008-09	Change Amount	Change Percent
General	8,226	8,626	400	4.9%
Special	400	400	0	0.0%
Federal	0	0	0	0.0%
Other	0	0	0	0.0%
Capital		0	0	0.0%
Total	8,626	9,026	400	4.6%
Cash	14,126	9,009	(5,117)	-36.2%



Agency Overview

The Olympic Regional Development Authority (ORDA) was established in 1981 to create and administer a post-Olympic program for the Lake Placid facilities. These facilities include: Whiteface Mountain Ski area; the Olympic Training Center; Mt. Van Hoevenberg bobsled, luge, cross country ski trails and biathlon range; Intervale Ski Jumping Complex; Olympic Ice Rinks and the Olympic Speedskating Oval. In 1984, ORDA's responsibility was expanded to include the management of the Gore Mountain Ski Center in North Creek, Warren County.

Budget Proposal:

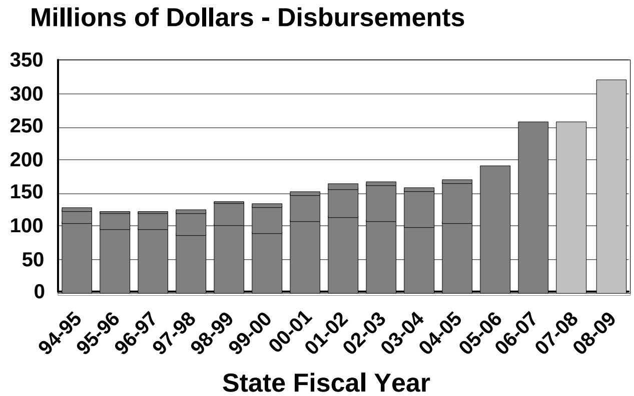
The SFY 2008-09 Executive Budget recommends $9 million in All Funds appropriations for the Authority. This appropriation reflects a $400,000 increase above SFY 2007-08 and is primarily necessary to support increases in health care and retirement costs.

State funds of $9 million are provided to ORDA for 26 percent of the Authority's $32.7 million operating budget. The remaining funding is generated from venue marketing and ticket sales ($22.2 million), the Town of North Elba ($876,300), the Winter Sports Education Fund ($200,000) and the Olympic Training Center Account ($200,000).

Senate Finance Contact:
Richard C. Mereday ext. 2934

OFFICE OF PARKS, RECREATION AND HISTORIC PRESERVATION

Appropriations and Spending (Thousands of Dollars)				
Fund	Adjusted 2007-08	Proposed 2008-09	Change Amount	Change Percent
General	159,239	146,230	(13,009)	-8.2%
Special	75,243	75,586	343	0.5%
Federal	10,355	10,320	(35)	-0.3%
Other	2,500	1,500	(1,000)	-40.0%
Capital	51,500	162,000	110,500	214.6%
Total	298,837	395,636	96,799	32.4%
Cash	256,888	319,996	63,108	24.6%



Agency Overview

The mission of the Office of Parks, Recreation and Historic Preservation (OPRHP) is to provide safe, enjoyable, recreational and interpretive opportunities for all New York State residents and visitors, as well as to be a responsible steward of the State's valuable natural, historic and cultural resources. Services open to the public at State Parks include performing arts centers, golf courses, marinas, beaches, cabins, swimming pools, campgrounds, a variety of restaurants, and other historic sites.

Parks operations are administered through a network of 11 regional offices with the central office located in Albany. The OPRHP operates and maintains 178 parks and 35 historic sites.

Budget Proposal:

The SFY 2008-09 Executive Budget recommends All Funds appropriations of $395.6 million, an increase of $96.7 million or 32.4 percent above SFY 2007-08.

The SFY 2008-09 Executive Budget recommends a net General Fund increase of $3.6 million to support 20 additional FTE's for new parks and 12 FTE's for a new Park Police training academy at Camp Cass. Additional funds are also proposed to support increases in nonpersonal service costs, including fuel; pool chemicals; garbage pick up; life guard fingerprinting; background checks; as well as increased utility costs.

The Executive also recommends a General Fund Local Assistance reduction of $16.6 million to reflect the elimination of all community projects funds, including $1.6 million for the Natural Heritage Trust.

The Executive recommends 32 additional positions for an overall workforce total of 2,276 by March 31, 2009.

New Capital Spending

The SFY 2008-09 Executive Budget recommends an additional $100 million in new capital funding (in addition to the Parks Departments traditional capital appropriations) to support park improvements, rehabilitation and maintenance efforts. This appropriation will support the operation of all existing park facilities and the development of parklands acquired with funding from the Environmental Protection Fund (EPF) and 1996 Clean Water/Clean Air Bond Act. Among the projects supported with these funds are as follows; $90.5 million for the Parks Department facilities; $8 million for a Poughkeepsie Walkway; $8 million for Department of Environmental Conservation campgrounds and $3.5 million for the State Fair.

The following table includes the $100 million in new capital funds recommended in the SFY 2008-09 Executive Budget as well as an existing $48 million in capital funds appropriated to OPRHP for SFY 2008-09. A detailed list of projects for each region is available from the Senate Finance Committee.

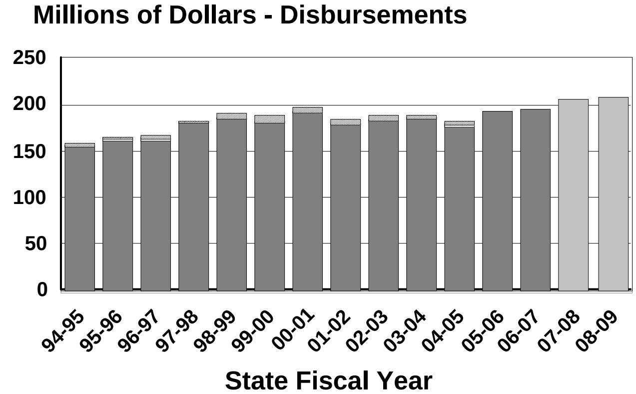
New Parks Capital Expenditures by Region (All Funds)

Allegany Region	**$3,935,000**
Central Region	**$5,600,000**
Finger Lakes Region	**$7,716,000**
Genesee Region	**$5,435,000**
Long Island Region	**$28,469,000**
New York City	**$19,132,000**
Niagara Region	**$17,450,000**
Palisades Region	**$16,082,000**
Saratoga Region	**$14,880,000**
Taconic Region	**$11,043,000**
Thousand Islands Region	**$8,287,000**
Statewide	**$10,000,000**
Total	**$148,029,000**

Senate Finance Contact:
Richard C. Mereday ext. 2934

DIVISION OF PAROLE

Appropriations and Spending (Thousands of Dollars)				
	Adjusted	Proposed	Change	
Fund	2007-08	2008-09	Amount	Percent
General	213,717	215,766	2,049	1.0%
Special	825	825	0	0.0%
Federal	500	500	0	0.0%
Other	9,250	9,250	0	0.0%
Capital	0	0	0	0.0%
Total	224,292	226,341	2,049	0.9%
Cash	206,318	208,482	2,164	1.0%



Agency Overview

The Division of Parole, which consists of the Board of Parole and Division staff, oversees all offenders who are released from prison prior to the full completion of their maximum sentence. The Division determines when offenders should be released, supervises parolees in the community, investigates alleged violations, revokes parole when warranted, and arranges for community support.

Budget Proposal:

The SFY 2008-09 Executive Budget adjusts the SFY 2007-08 enacted personal service appropriation level to reflect an increase of $340,000 for costs related to binding arbitration awards. In addition, a $2 million adjustment reflects a transfer of funds related to local Re-Entry Task Forces to the Division of Criminal Justice Services.

The SFY 2008-09 Executive Budget proposes a General Fund increase of $2 million. Personal service increases of $3.8 million are included for 108 Full-Time Equivalent (FTEs) positions related to parole supervision. An increase of $3.5 million is associated with operational expenses including rent increases.

The SFY 2008-09 Executive Budget includes $623,000 and 27 FTEs related to increased strict and intensive parole supervision caseloads from the implementation of the Sex Offender Management Treatment Act (SOMTA) of 2007. This increases the total number of FTEs dedicated to SOMTA to 112. In addition, the Executive proposes $600,000 in General Fund support for 29 FTEs as follows: one Re-Entry Coordinator phased in over two years for each Division field offices (19 total FTEs in SFY 2008-09); four FTEs to turn Edgecombe Correctional Facility into a technical parole violator facility; and, six FTEs for the three new Re-Entry Units within the Department of Correctional Services prison system (two FTEs per location) with locations unknown at this time.

The increase in staff levels is offset by a reduction of $632,000 resulting from 45 FTE positions never filled, as a result of a reevaluation of staff needs. The Executive also proposes a reduction of $500,000 related to constraining overtime costs for Parole Officers.

The Executive proposal reduces General Fund spending by $525,000 attributable to the elimination of lease space no longer required in the Bronx, and by $300,000 from increased operational efficiencies through technology.

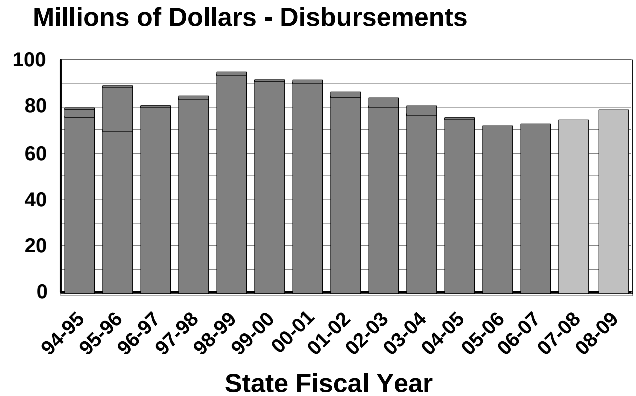
Aid to Localities:

Currently, New York State is required to reimburse counties for housing parole violators at a daily rate of $40 per inmate. The SFY 2008-09 Executive Budget reduces the annual State reimbursements to local jails by $9 million, as a result of $7.9 million in savings from implementation of several statewide options to create a more effective parole revocation process on a county by county basis, and $1.1 million in savings from the use of the Edgecombe Correctional Facility for low risk parolees normally processed through the Division's parole violation process on Rikers Island. These savings are offset by an increase of $4.5 million to fund temporary residential housing for sex offenders.

Senate Finance Contact:
Maria LoGiudice ext. 2936

DIVISION OF PROBATION AND CORRECTIONAL ALTERNATIVES

Appropriations and Spending (Thousands of Dollars)				
	Adjusted	Proposed	Change	
Fund	2007-08	2008-09	Amount	Percent
General	73,874	80,387	6,513	8.8%
Special	0	0	0	0.0%
Federal	0	0	0	0.0%
Other	0	0	0	0.0%
Capital	0	0	0	0.0%
Total	73,874	80,387	6,513	8.8%
Cash	74,649	78,931	4,282	5.7%



Agency Overview

The Division of Probation and Correctional Alternatives (DPCA) oversees county probation departments. It provides training, technical assistance and distributes reimbursements for county expenses. The Agency also provides localities with grants to fund Alternatives to Incarceration programs designed to divert offenders from the State prison system with appropriate community based services.

Budget Proposal:

The SFY 2008-09 Executive Budget recommends an All Funds increase of $6.5 million. The Executive recommends an increase of $313,000 in General Fund support for salaries operational costs and other fixed costs. In addition, $200,000 is recommended for a risk assessment instrument to help local probation departments assess needs of probationers, make referrals and evaluate outcomes related to the Executive's Re-Entry expansion plan.

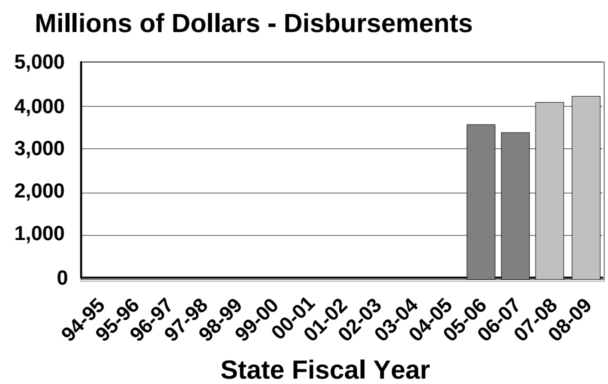
The Executive proposes an increase of $3 million in local probation aid. This recommended increase is the first in eight years, however the rate of reimbursement remains at 46.5 percent. In addition, the Executive transfers the administration of $4 million in Temporary Assistance for Needy Families (TANF) Alternatives to Incarceration (ATI) funding from the Public Assistance Budget to DPCA. These increases are offset by a $1 million reduction from the elimination of a Legislative add for pilot programs for Global Positioning Systems (GPS) to track Sex Offenders.

Senate Finance Contact:
Maria LoGiudice ext. 2936

PUBLIC EMPLOYMENT RELATIONS BOARD (PERB)

Appropriations and Spending
(Thousands of Dollars)

Fund	Adjusted 2007-08	Proposed 2008-09	Change Amount	Change Percent
General	3,886	4,041	155	4.0%
Special	257	257	0	0.0%
Federal	0	0	0	0.0%
Other	0	0	0	0.0%
Capital	0	0	0	0.0%
Total	4,143	4,298	155	3.7%



Agency Overview

The Public Employment Relations Board (PERB), established upon enactment of the Taylor Law, assists public employers and public employee representatives in resolution of collective bargaining disputes through mediation, fact-finding, and arbitration. PERB's services are available to 4,760 negotiating units. In addition to conciliation activities, the Board reviews petitions requesting new negotiating units or employee transfers between units and rules on charges of improper employment practices.

The Board consists of a full-time chair and two part-time members nominated by the Governor for six-year terms, and has jurisdiction over State, county and local governments and some service districts, school districts and public authorities.

Budget Proposal:

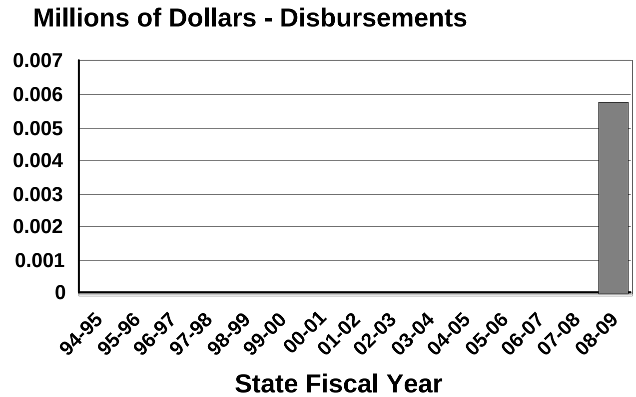
The Executive proposes $4.3 million in All Funds support, a 3.7 percent increase over SFY 2007-08 which is the result of inflationary increases for salary and fixed costs offset by reductions in nonpersonal service spending. PERB's staffing level will remain unchanged from last year at 37 full-time equivalent positions.

Senate Finance Contact:
Lilian Kelly ext. 2931

COMMISSION ON PUBLIC INTEGRITY

Appropriations and Spending (Thousands of Dollars)				
	Adjusted	Proposed	Change	
Fund	2007-08	2008-09	Amount	Percent
General	4,946	5,779	833	0.0%
Special	0	0	0	0.0%
Federal	0	0	0	0.0%
Other	0	0	0	0.0%
Capital	0	0	0	0.0%
Total	4,946	5,779	833	16.8%

Cash	0	5,432	5,432	0.0%



Agency Overview:

The Commission on Public Integrity was established pursuant to Chapter 14 of Laws of 2007. The Commission is the result of the merger of the State Ethics Commission and the Temporary State Commission on Lobbying. The Commission is charged with the responsibility of administering and enforcing the State's ethics and lobbying statutes.

Budget Proposal:

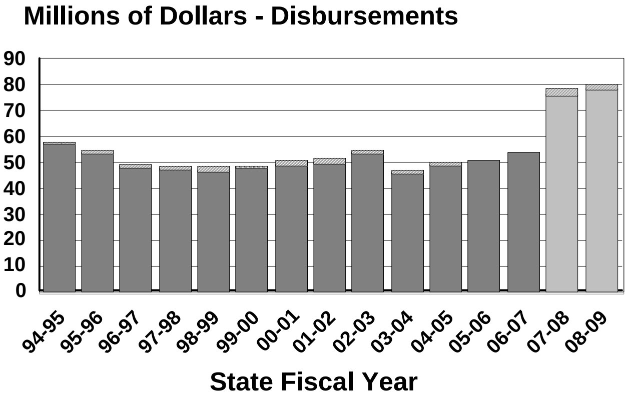
The Executive recommends an All Funds appropriation of $5.8 million, an increase of $833,000 over the SFY 2007-08 budget. This increase reflects the Executive recommendation to increase the number of FTE's from 57 to 62 to support the additional responsibilities of the agency, salary adjustments and other fixed costs as well as costs associated with moving the agency into non-governmental space.

Senate Finance Contact:
Richard C. Mereday ext. 2934

DEPARTMENT OF PUBLIC SERVICE

Fund	Adjusted 2007-08	Proposed 2008-09	Change Amount	Change Percent
General	0	0	0	0.0%
Special	76,703	78,687	1,984	2.6%
Federal	1,691	1,691	0	0.0%
Other	0	0	0	0.0%
Capital	0	0	0	0.0%
Total	78,394	80,378	1,984	2.5%
Cash	56,484	59,887	3,403	6.0%

Appropriations and Spending (Thousands of Dollars)



Agency Overview

The Public Service Commission (PSC) is charged by Article I of the Public Service Law with the regulation of rates and services for the State's public utilities; including electric, gas, steam, water and telephone companies. The Department of Public Service is the staff arm of the Commission. The Commission and its staff of 540 FTE's (unchanged from last year) also oversee the siting of major electric and gas transmission lines, and ensure the safety of natural gas and liquid petroleum lines. Effective January 1, 1996, the Cable Television Commission, which includes 48 positions and all responsibilities for cable television oversight, was merged into the Department of Public Service. In addition, the Department also has a broad mandate to ensure that all New Yorkers have access to reliable and low-cost utility services.

The Department is also charged with implementing, in cooperation with the Department of Environmental Conservation and the Energy Research and Development Authority, an energy efficiency and diversification program (the Systems Benefit Charge - SBC) and a renewable energy policy designed to increase the proportion of electricity generated from renewable resources from the current 18 percent to at least 25 percent by 2013 (the Renewable Portfolio Standard - RPS).

In 2006, Governor Pataki announced that New York State had entered an agreement with six other Northeastern states to reduce the production of greenhouse gasses through new charges imposed upon electricity generators and perhaps other industrial firms. Governor Spitzer reaffirmed this commitment and has announced an anticipated agreement with California and three other Northeastern States to participate. This new program, which should begin full implementation in SFY 2008-09, has been designated as the Regional Greenhouse Gas Initiative (RGGI).

All three of these programs are completely off-budget and currently beyond Legislative review or oversight. Despite the worthiness of the program goals, they serve as hidden taxes on the consumers and businesses in New York State. A total of $274.4 million is currently being raised by these hidden taxes and fees.

The department has listed priorities of developing energy efficiency programs to reduce electricity use in the State by 15 percent by 2015, long-range electricity planning, continued expansion and implementation of the Renewable Portfolio Standard, and ensuring greater reliability of energy and telecommunication networks.

Budget Proposal:

The SFY 2008-09 Executive Budget recommends additional spending of $2 million from increased utility and cable charges to cover increased costs for personal service contracts, fringe benefits, information technology and other equipment upgrades, and higher real estate and other inflationary costs. An additional $550,000 is expected from siting request intervener fees (an increase of $150,000 from SFY 2007-08), and $3.59 million is re-appropriated from funds generated from previous siting requests for possible local intervener assistance.

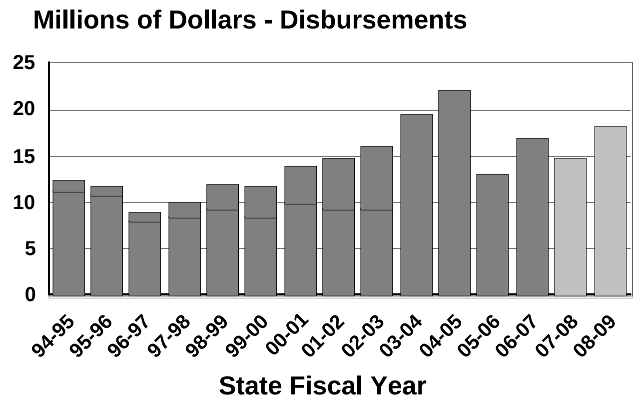
Article VII Legislation: Proposed Article VII language would authorize a total of $90 million in 18-a utility assessments imposed on intrastate gas and electric utility revenues. A total of $74.5 million of these assessments would fund Department of Public Service activities.

All of the State's Economic Development Power programs, including Power for Jobs, expire on June 1, 2008. The Executive has proposed a one year extension for these programs, and proposes a new Electricity Cost Discount program to allow eligible businesses to receive long term discounted power contracts for up to seven years beginning on June 30, 2009. The bill also authorizes a $25 million payment from the New York Power Authority to partially compensate for one year costs of the Power for Jobs program.

Senate Finance Contact:
Steven Taylor ext. 2747

STATE RACING AND WAGERING BOARD

Appropriations and Spending (Thousands of Dollars)				
	Adjusted	Proposed	Change	
Fund	2007-08	2008-09	Amount	Percent
General	0	0	0	0.0%
Special	24,768	25,018	250	1.0%
Federal	0	0	0	0.0%
Other	0	0	0	0.0%
Capital	0	0	0	0.0%
Total	24,768	25,018	250	1.0%
Cash	18,754	18,178	(576)	-3.1%



Agency Overview

The Racing and Wagering Board regulates all legalized gambling activities in New York State, except the State Lottery. The Board directly regulates Off Track Betting (OTB), horse racing and Indian casino gambling. The Board is fully funded through fees, reimbursements, fines and assessments imposed on raceways, gaming, OTB's and casinos.

Budget Proposal:

The SFY 2008-09 Executive Budget recommends a total appropriation of $25 million, a $250,000 increase, or 1 percent from the previous year. Of this amount, $14.4 million supports personnel and related expenditures associated with processing racing licenses, oversight of OTB's, testing of race horses and violation enforcement, $2.4 million is from charitable gaming proceeds ("bell jar") and $8.2 million is charged to Indian casinos to pay for on-site monitoring and investigations.

Aid to Localities

Additionally, the Executive Budget includes a miscellaneous Tribal State Compact Revenue appropriation of $41.6 million, a $12.3 million increase from the previous year. These funds are scheduled to be distributed on December 31st of each calendar year to local governments in jurisdictions where Indian casinos are located.

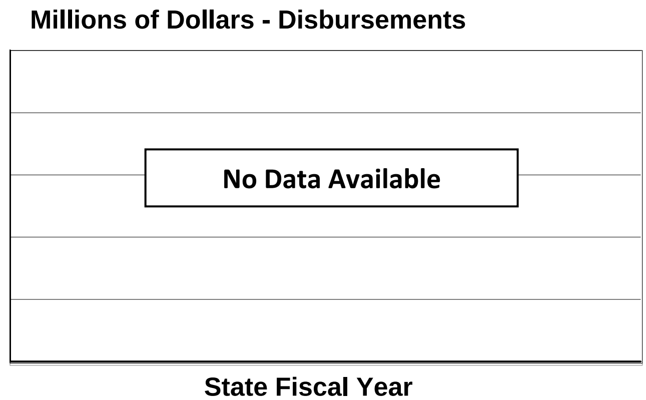
Funding for this appropriation is derived from provisions in the Seneca Nation Compact, which generated an estimated $25 million from the Seneca Niagara Casino, $11 million from the Seneca Alleghany Casino and $1.6 million from Seneca Buffalo Creek Casino, as well as, $4 million from the St. Regis Mohawk Tribe's Akwesasne Casino.

Senate Finance Contact:
Heather Mowat ext. 2820

RACING REFORM PROGRAM

1

Appropriations and Spending (Thousands of Dollars)				
	Adjusted	Proposed	Change	
Fund	2007-08	2008-09	Amount	Percent
General	1,000	1,000	0	0.0%
Special	0	0	0	0.0%
Federal	0	0	0	0.0%
Other	0	0	0	0.0%
Capital	0	0	0	0.0%
Total	1,000	1,000	0	0.0%
Cash	0	0	0	0.0%



Agency Overview

Chapter 354 of the Laws of 2005 established a five member Non-Profit Racing Association Oversight Board (“Oversight Board”). This board was tasked with reviewing the administrative, contracting and financial practices of the New York Racing Association (”NYRA”). Additionally, Chapter 354 accelerated the creation of the Committee on the Future of Racing (“Ad Hoc Committee”) whose mission is to develop and administer the State’s procedure of selecting a franchise operator for the successor to NYRA, which manages Aqueduct, Belmont and Saratoga Thoroughbred Racetracks. NYRA’s franchise of the three racetracks expired on December 31, 2007 but was extended to February 13, 2008.

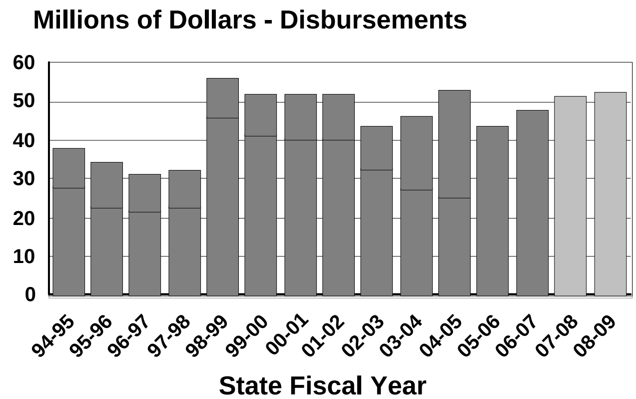
Budget Proposal:

The SFY 2008-09 Executive Budget reflects General Fund appropriations of $1 million and a reappropriation of $2 million to be utilized for administrative and contractual costs of both the Oversight Board and the Ad Hoc Committee.

Senate Finance Contact:
Heather Mowat ext. 2820

OFFICE OF REAL PROPERTY SERVICES

Appropriations and Spending (Thousands of Dollars)				
	Adjusted	Proposed	Change	
Fund	2007-08	2008-09	Amount	Percent
General	20,800	3,825	(16,975)	-81.6%
Special	44,808	63,052	18,244	40.7%
Federal	0	0	0	0.0%
Other	0	0	0	0.0%
Capital	0	0	0	0.0%
Total	65,608	66,877	1,269	1.9%
Cash	51,651	52,655	1,004	1.9%



Agency Overview

The Office of Real Property Services (ORPS) is responsible for the general supervision of local property tax administration in New York State. The Office is involved with all State-level responsibilities related to the property tax, which represents the largest revenue source for counties, municipalities and school districts.

The Office of Real Property Services (ORPS) has programs to determine the full market value of taxable property for more than 1,000 municipalities. It also provides guidance as well as technical and financial assistance to local assessing units and other State agencies with information and administrative support related to property tax administration.

Budget Proposal:

The Executive Budget recommends an All Funds appropriation of $66.9 million, an increase of $1.3 million over SFY 2007-08. The proposed All Funds increase is attributed to an additional $18.3 million in Other Funds, and a $17 million reduction in the General Fund.

State Operations:

The SFY 2008-09 Executive Budget recommends a staffing level of 384 positions, a decrease of eight positions and state operating budget of $45 million. ORPS spending is generated through three revenue accounts: the Improvement of Real Property Tax Administration Account; the Industrial and Utility Services Account; and the Local Services Account. These accounts are funded from the State's share of the Real Property Transfer Recording Fee, charge backs for assessment services to industrial, utility and railroad property, and charges for miscellaneous consulting and computing services.

Local Assistance:

The SFY 2008-09 Executive Budget proposal includes a Local Assistance appropriation of $21.8 million, an increase of $1 million from SFY 2006-07, for the following programs:

- $3.3 million for local administration of the School Tax Relief (STAR) and Middle Class STAR programs;

- $3.82 million to reimburse local governments for revenue losses relating to the Rail Infrastructure Investment Act of 2002. This represents an increase of $ 70,000 over SFY 2007-08;

- The Executive also recommends targeted increases in the real property transfer fee for high priced transactions to fund State and local improvements in property tax administration. This fee increase is scheduled to raise $21.5 million in additional funds for SFY 2008-09. The Real Property Transfer Fee is determined according to a variable schedule:

	Current	Proposed
Co-op	$50	$75 - $400
Residential	$75	$50 - $400
Commercial	$165	$165 - $575

Middle Class STAR Proposals:

Although spending for the STAR Middle Class program is projected to grow by $123 million to $1.25 billion, this is primarily due to higher participation rates and in growth in the number of eligible recipients. The SFY 2008-09 Executive Budget proposes a one year delay of the already scheduled increase for the Basic rebate checks, for a State savings of $169 million. Including the following proposed changes, **the Executive recommends $354 million of reductions in the Middle Class STAR Tax relief program:**

- Change the adjustment that limits annual reductions in STAR property exemption from five percent to ten percent, $110 million.
- Authorize the Department of Taxation and Finance to offset owed tax and other debts against STAR rebates Savings, $15 million.
- Postpone for one year the scheduled increase in the (NYC) personal income tax credit (PIT) of $40 million.
- Eliminate the STAR rebate credit for individuals earning more than $250,000, worth $20 million.

The Executive also recommends the scheduled increase in the Enhanced Middle Class STAR rebate program continue. The SFY 2008-09 Executive Budget provides total STAR Property Tax relief, rebates plus property exemptions, of $5 billion.

Article VII Proposals:

The SFY 2009-09 Executive Budget provides financial incentives to local municipalities to work toward commonality of real property assessment services at the county level of government.

The Executive recommends by December 31, 2009; the elimination of elected property tax assessors and school district collectors. In addition, the Executive authorizes consolidated, county based tax collection to take place via the internet, electronic funds transfer, or through contracts with banks for collection services.

Eliminate the statutory authority for fee-based tax collection. The proposal requires that all real property assessors meet uniform certification standards and be appointed, not elected.

The Executive Proposal also provides incentives to local governments to centralize real property tax assessment and collection, with an emphasis on countywide consolidation. The proposed incentives include:

- One-time incentive payment of up to $7 per parcel for counties that establish a centralized tax collection.

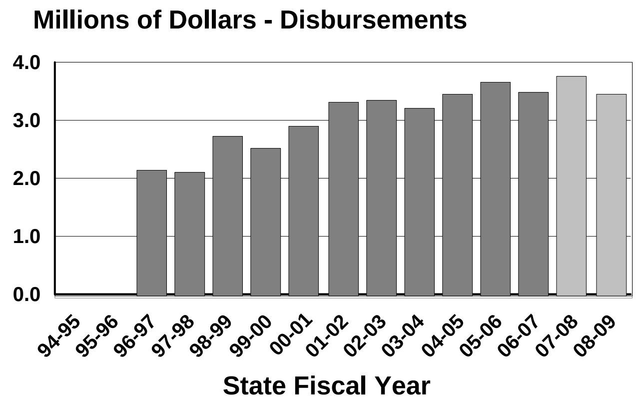
- Continuing the one-time payment of $7 per parcel for new county or coordinated assessing units, with $3 per parcel for the next three succeeding years for a new assessing unit.

- Provide $7 per parcel to counties in which all cities and towns contract with the county to perform their appraisal or assessment functions, but which are not considered as the centralized assessing unit, with $2 per parcel for the next three succeeding years.

Senate Finance Contact:
Gerard Zabala ext. 2912

GOVERNOR'S OFFICE OF REGULATORY REFORM

Appropriations and Spending (Thousands of Dollars)				
	Adjusted	Proposed	Change	
Fund	2007-08	2008-09	Amount	Percent
General	3,751	3,751	0	0.0%
Special	0	0	0	0.0%
Federal	0	0	0	0.0%
Other	0	0	0	0.0%
Capital	0	0	0	0.0%
Total	3,751	3,751	0	0.0%
Cash	3,781	3,480	(301)	-8.0%



Agency Overview

The Governor's Office of Regulatory Reform (GORR) was restructured in 1995 and is charged with the promotion of private sector job growth in New York State through the review and reform of State regulations.

Budget Proposal:

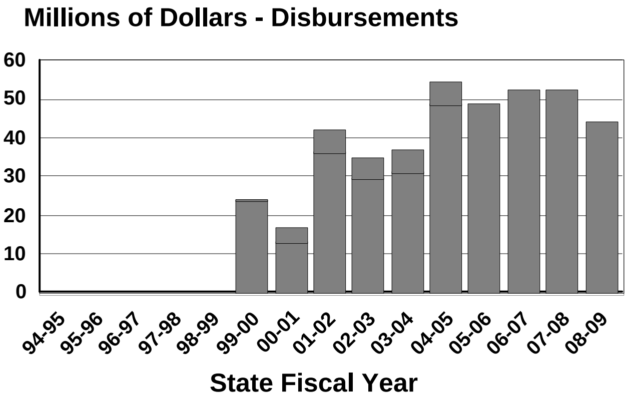
The Executive Budget recommends a single General Fund appropriation of $3.75 million and a staffing level of 36 full time equivalent positions in SFY 2008-09. Both funding and staffing levels remain unchanged from the current year.

Senate Finance Contact:
Lauren King ext. 2935

FOUNDATION FOR SCIENCE, TECHNOLOGY AND INNOVATION (d.b.a.NYSTAR)

Appropriations and Spending
(Thousands of Dollars)

Fund	Adjusted 2007-08	Proposed 2008-09	Change Amount	Change Percent
General	53,967	51,626	(2,341)	-4.3%
Special	500	500	0	0.0%
Federal	6,500	0	(6,500)	-100.0%
Other	0	0	0	0.0%
Capital	0	0	0	0.0%
Total	60,967	52,126	(8,841)	-14.5%
Cash	52,576	44,232	(8,344)	-15.9%



Agency Overview:

The Foundation for Science Technology and Innovation's mission is to support both the State's research and development infrastructure and the establishment and growth of technology based companies. Legislation in the SFY 2005-06 enacted budget converted NYSTAR, then a state agency, to a public benefit corporation. NYSTAR is governed by a 13 member Board that includes individuals with private sector expertise. Six members of the board are appointed by the Legislature, making this public authority unique in its governance structure.

As a public benefit corporation NYSTAR is able to provide grants, loans or equity investments to support New York's greatest economic resource, namely emerging companies that are commercializing cutting edge scientific discoveries or bringing breakthrough new technologies to market. NYSTAR, through its new and existing programs like its Regional Technology Development Centers (RTDCs) can also assist the State's established service and manufacturing companies become new links in the high technology supply chain.

NYSTAR's Regional Partnerships program was established by the Legislature to create a framework for identifying and developing each region's technology and research based industry clusters. This program affords an opportunity to bring together, on an ongoing basis, the talents of local business leaders, scientists and engineers, workforce development providers, venture capitalists, and public officials to develop these clusters.

Regional Partnerships are authorized to provide business development and financial assistance to start-up and growing companies that may not otherwise have access to such a broad base of expertise. Although the Legislature provided funding in the SFY 2007-08 Enacted Budget for the Regional partnerships, unfortunately, Partnerships have yet to be designated by NYSTAR, in violation of the enabling legislation.

Budget Proposal:

The SFY 2007-08 Executive Budget recommends All Funds appropriations of $52.1 million, a 14.5 percent decrease from the current year. Nearly three quarters of this decrease reflects the elimination of $6.5 million in Federal appropriations. As a public authority, NYSTAR no longer requires State appropriation authority to disburse Federal funds. NYSTAR will continue to receive these funds that support Manufacturing Extension Partnership services at NYSTAR's ten RTDCs. The balance of the General Fund decrease of $2 million results from reduced support for personal and nonpersonal expenses ($191,000) and elimination of local assistance programs ($5.9 million) offset by new funding for the Supercomputer Consortium ($4 million). The Executive's recommended staffing level for NYSTAR, 30 full time equivalents, is unchanged from the current year.

The Executive's Budget proposal eliminates all funding ($1 million) for the James D. Watson Investigator program, which was created to support the research of promising young scientists and engineers.

The Executive's proposed Budget eliminates $1 million for Foundation Fund grants that would be allocated to designated Regional Partnerships to allow them to provide smaller grants and loans to companies engaged in technology commercialization.

The Executive's proposed Budget also eliminates $2.1 million to allow Community Colleges to develop and implement new or updated degree and training programs to prepare students for careers in "in-demand" technology-based and emerging industries. In SFY 2007-08 three community colleges, Onondaga, Monroe and Hudson Valley, each received $700,000 to support development of programs to prepare students for careers in electronics manufacturing, green industries and optical manufacturing.

In addition, the Executive's proposed Budget eliminates funding for the following programs to support emerging industries and cutting edge manufacturing technologies:

- Center for Integrated Manufacturing - $800,000
- Center for Remanufacturing - $400,000
- New York Loves Bio global marketing campaign - $300,000
- New York State Center for Engineering, Design and Industrial Innovation - $250,000

The Executive recommends no increase in operating support for the State's technology centers including the Centers for Advanced Technology (CATs), College Applied Research Centers (CARTs), and Regional Technology Development Centers (RTDCs), and specific centers at Cornell, Columbia, Rensselear Polytechnic Institute (RPI), and the State and City University systems (SUNY and CUNY).

Support for the Technology Transfer Incentive Program ($4 million) and Faculty Development program ($4 million), as well as the Science and Technology Law Center at Syracuse University ($350,000) will remain at SFY 2007-08 levels.

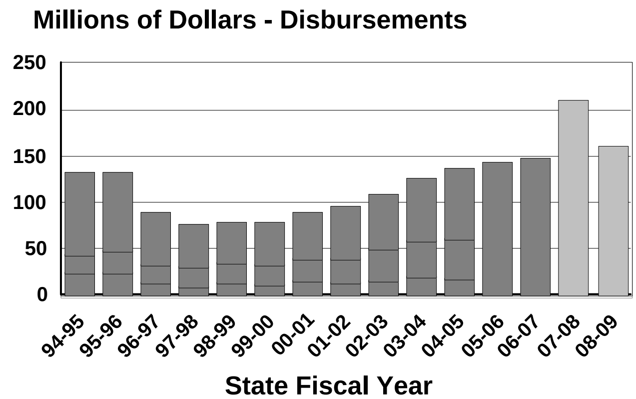
New funding is requested in the SFY 2008-09 Executive Budget for the Supercomputer Consortium, a collaboration of ten universities, and research organizations led by SUNY Stony Brook and Brookhaven National Laboratory. The proposed $4 million would support operations and outreach to help develop the potential of the State's High Performance Computing (HPS) assets.

Senate Finance Contact:
Lilian Kelly ext. 2931

DEPARTMENT OF STATE

0.0%

Appropriations and Spending (Thousands of Dollars)				
	Adjusted	Proposed	Change	
Fund	2007-08	2007-08	Amount	Percent
General	46,076	22,611	(23,465)	-50.9%
Special	56,158	26,817	(29,341)	-52.2%
Federal	72,802	108,153	35,351	48.6%
Other	0	0	0	0.0%
Capital	0	0	0	0%
Total	175,036	157,581	-17,455	-10.0%
Cash	210,303	159,916	(50,387)	-24.0%



<u>Agency Overview</u>

The Department of State provides technical assistance to local governments, administers fire prevention and control services, conducts arson investigations, administers the building code program, assists the public by providing ombudsman services, administers the Federal Community Services Block Grant program and is responsible for a variety of programs relating to business and governmental regulations, and public safety. In addition to these duties, the Department operates the Academy of Fire Science in Montour Falls, Schuyler County.

<u>Budget Proposal:</u>

The Executive Budget recommends All Funds appropriations of $157.5 million in SFY 2008-09, a decrease of $17.4 million or ten percent from current levels.

The majority of the $17.4 million decrease is reflected in the elimination of $26.2 million in legislative additions which were included in the SFY 2007-08 Adopted Budget. These reductions are offset by approximately $9 million in proposed departmental increases.

<u>Reductions:</u>

The Executive Budget proposes to **eliminate** the following:

- $19.4 million for Community Projects
- $4.6 million for Civil Legal Services
- $1 million for the Northway Travel Safety Program
- $687,000 for the Settlement Houses
- $505,000 for the Public Utility Law Project
- $25,000 for the CPR Anytime Program

<u>Increases:</u>

The Executive Budget proposes to **add** funding for the following:

- $3 million for the Office of Indigent Defense Services Program and 15 new full time equivalent (FTE) positions.

- $2 million for 20 new FTEs associated with enactment of Chapter 61 of the Laws of 2007 which requires the Department to license ticket resellers, and with Chapter 437 of the Laws of 2007 which provides the Department with the authority to fine or reprimand any person who is installing or maintaining security or fire alarm systems without a license.

- $1 million for Civil Legal Services Grants (related to the Indigent Defense Program)

- $820,000 for increased personal and nonpersonal services costs associated with departmental administration.

- $700,000 for relocation of the Department's Albany offices from State Street to One Commerce Plaza.

- $625,000 for personal service cost increases in the Local Government and Community Services Program.

- $320,000 for costs of continuing current programs at the Tug Hill Commission.

- $160,000 for the New York Commission on Uniform State Laws.

- $158,000 for three FTEs for the Law Revision Commission, which was previously funded in the Division of the Budget.

<u>Article VII Proposals:</u>

The Executive proposes to permanently allow the Secretary of State to charge increased fees for the expedited handling of documents issued by or requested from the Department's Division of Corporations.

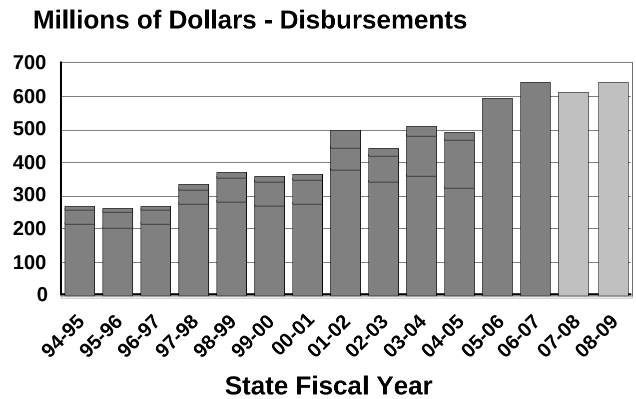
The Executive proposes to conform the State's Community Services Block Grant Program to the current federal law governing administration of the Federal Community Services Block Grant Program and distribution of associated Federal funds. The proposal makes the new funding formula permanent. This formula has been extended annually in the past.

The Executive proposes to establish a new **Office of Indigent Defense Services** in the Department of State. The Office would be charged with: examining the existing public defense system in counties; developing a case management system to collect and report gathered county information; analyzing collected data; developing a plan to improve delivery of indigent defense services; distributing available State funds pursuant to a plan prepared by the Office; reviewing the current payment process for 18-b assigned counsel; and coordinating and providing free and/or low-cost training to public defenders statewide. The proposal would also cap the funds available for distribution to counties from the Indigent Legal Services Fund at $72 million in SFY 2008-09, with any excess balance held in escrow by the Comptroller until a more equitable distribution plan is developed by the new Office. It is the intent of the Office to monitor and improve the current system of delivering indigent legal services while most effectively utilizing available State funds for that purpose. To create the Office, the Executive proposes to direct $3 million from the Legal Services Assistance Account to the Department of State. (For additional information on this subject, see the Agency Detail for the Division of Criminal Justice Services.)

Senate Finance Contact:
Lauren King ext. 2935

DIVISION OF STATE POLICE

Appropriations and Spending (Thousands of Dollars)				
	Adjusted	Proposed	Change	
Fund	2007-08	2008-09	Amount	Percent
General	478,678	426,145	(52,533)	-11.0%
Special	181,522	223,328	41,806	23.0%
Federal	12,700	7,235	(5,465)	-43.0%
Other	0	0	0	0.0%
Capital	62,200	11,500	(50,700)	-81.5%
Total	735,100	668,208	(66,892)	-9.1%
Cash	613,303	641,595	28,292	4.6%



Agency Overview

The Division of State Police is responsible for patrolling the roads and highways outside major urban centers, and providing specialty and investigative police services throughout the State. The work of the State Police ranges from traditional patrol duties to that of specially trained investigators who conduct operations against drug traffickers and other criminals.

Budget Proposal:

The SFY 2008-09 Executive Budget includes adjustments $1.3 million to SFY 2007-08 Enacted Budget appropriations of for personal service costs associated with collective bargaining agreements. In addition, $3.9 million in Special Revenue Funds is transferred to the General Fund including $1.6 million for investigators associated with Communications Assistance for the Law Enforcement (CALEA) Seized Assets Account, and $2.4 million for personal service costs associated with police patrol of I-84 from the Thruway Authority.

The SFY 2008-09 Executive Budget recommends a decrease of $66.8 million in All Funds appropriations, a 9.1 percent decrease over the SFY 2007-08 level. The Executive proposes reducing General Fund appropriations by $52.5 million with savings of $48.4 million attributable to an increase in the Motor Vehicle Law Enforcement (MVLE) Fee. In addition, the Executive eliminates $1.7 million in a one-time nonrecurring Legislative Add for Automated External Defibrillators (AEDs).

The Executive proposes General Fund savings of $2 million from the elimination of a contract with the Northeast Regional Forensic Institute (NRFI) at the State University of New York (SUNY) Albany. The Executive also reduces spending by $3 million associated with greater efficiency in purchasing vehicles, non-priority information technology projects, and $857,000 in savings from the non-recurring retroactive portion of the binding arbitration agreements.

These savings are offset by an increase of $1 million in fixed operating costs, and $1.8 million in personal service costs to maintain current workforce levels. In addition, $600,000 is included for non personal services costs attributable to the transfer of 30 Troopers from the Thruway Account.

The SFY 2008-09 Executive Budget increases the Special Revenue appropriations by $41.8 million, resulting from Article VII Legislation to increase the amount collected on the MVLE fee from $5.00 to $20.00. The Executive proposes that $10.00 of the fee increase, be dedicated to the Division of State Police, which would generate $48.4 million in revenue for the Division. In addition, Seized Assets Account spending is increased by $5 million from a one-time Federal Officer Safety Initiative.

These increases are offset by a savings of $10 million from non-recurring expenses associated with the Statewide Wireless Network (SWN) equipment. In addition, savings of $1.4 million in adjustments made to personal services, fringe and other indirect costs. The SFY 2008-09 Executive Budget reduces the Division's Training Academy funding by $200,000 to reflect current recruitment efforts.

The SFY 2008-09 Executive Budget proposes the redeployment of 200 Troopers to continue to assist in crime reduction efforts as part of Operation IMPACT. Of these; 92 Troopers are reassigned from School Resource Officer assignments, and 90 are reassigned from video lottery centers. The Troopers assigned under School Resource Officer assignments were funded from two Federal Grants, the most recent one ending in SFY 2005-06, however, the State had a one year obligation to continue to fund these assignments from General Fund appropriations.

The Executive proposes a decrease of $5.5 million in Federal appropriations resulting from reestimations, $4.5 million in Federal Motor Carrier Safety Assistance, and $965,000 for the Federal National Institute of Justice DNA grants.

Capital Improvements:

The Executive proposes $11.5 million in Capital Funds, a decrease of $50.7 million from SFY 2007-08, resulting from a reduction of $50 million for the Troop G Headquarters project located in the Town of Colonie. The Executive also recommends $5.5 million in capital for various projects for health, safety, preservation and maintenance of existing State Police facilities. In addition the Executive proposes issuing $6 million in authority bonds for the consolidation of dispatch operations at Troops D, E, and F.

Article VII Legislation:

Motor Vehicle Law Enforcement (MVLE) Fee Increase: The Executive proposes an increase in the current Motor Vehicle Law Enforcement (MVLE) Fee of $5.00 to $20.00 for a $15.00 increase. The legislation authorizes the use of these revenues for another purpose, and makes the fee and other related programs that would otherwise expire in 2008 permanent.

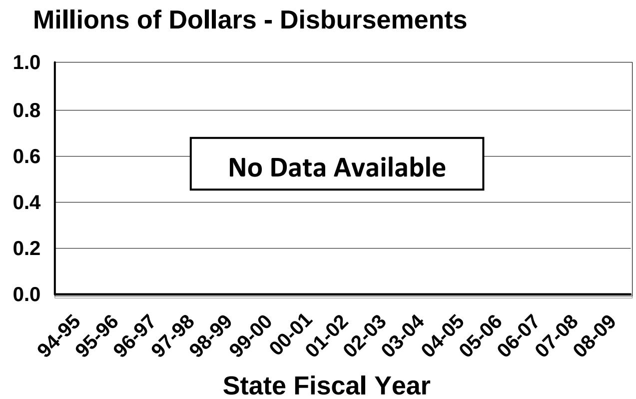
The Executive proposes that of the $15.00 increase, $5.00 be dedicated to the Division of State Police and the remaining $10.00 would support a new bridge safety initiative funded through the Dedicated Highway and Bridge Trust Fund. This fee increase is expected to generate $194 million in new revenues, of which $48.4 million will go to support the Division of State Police. *Further details can be found in the Department of Transportation Agency Detail Section of this report.*

Senate Finance Contact:
Maria LoGiudice ext. 2936

STATE OF NEW YORK MORTGAGE AGENCY

Appropriations and Spending (Thousands of Dollars)				
	Adjusted	Proposed	Change	
Fund	2007-08	2008-09	Amount	Percent
General	370,518	331,809	(38,709)	-10.4%
Special	0	0	0	0.0%
Federal	0	0	0	0.0%
Other	0	0	0	0.0%
Capital	0	0	0	0.0%
Total	370,518	331,809	-38,709	-10.4%

Cash	0	0	0	0.0%



Agency Overview

The State of New York Mortgage Agency is a public benefit corporation created to increase the supply and affordability of dwellings for low and moderate income individuals and families. In order to fulfill its mission, the Agency provides low interest single family mortgages through the issuance of mortgage revenue bonds and provides mortgage insurance on loans for mixed residential, commercial and community service-related properties. These programs are supported by a Special Mortgage Recording Tax. The appropriations contained in the Agency's budget are required by statute to guarantee certain obligations of the Agency and no disbursements are anticipated to be made from these appropriations (i.e. "dry appropriations").

Budget Proposal:

The SFY 2008-09 Executive Budget recommends a General Fund appropriation of $331 million, reflecting a $38.7 million, or 10.4 percent decrease in the Mortgage Guarantee accounts. The decrease is attributed to a decline in mortgage activities in the State.

Article VII Legislation:

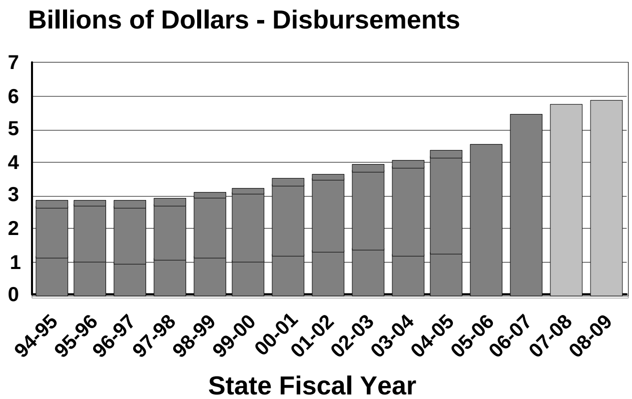
The SFY 2008-09 Executive Budget recommends the establishment of a new account within the Mortgage Insurance Fund to create a $400 million Housing Opportunity Fund to develop three categories of housing; affordable, workforce and supportive. The Fund would be split, with $100 million for Upstate housing efforts and $300 million for Downstate housing efforts. This new program is to be funded by the release of $100 million of reserves held by the New York State Mortgage Agency (SONYMA) Mortgage Insurance Fund, and proceeds from the sale of excess property at the Jacob K. Javits Convention Center.

Senate Finance Contact:
Gerard Zabala ext. 2912

STATE UNIVERSITY OF NEW YORK

Appropriations and Spending
(Millions of Dollars)

Fund	Adjusted 2007-08	Proposed 2008-09	Change Amount	Change Percent
General	2,771,619	2,819,546	47,927	1.7%
Special	4,052,362	4,269,803	217,441	5.4%
Federal	250,500	250,500	0	0.0%
Other	12,000	12,410	410	3.4%
Capital	379,700	4,285,595	3,905,895	1028.7%
Fiduciary	0	0	0	0.0%
Total	7,466,181	11,637,854	4,171,673	55.9%
Cash	5,774,221	5,872,410	98,189	1.7%



Agency Overview

The State University of New York (SUNY), the nation's largest public university system, offers academic, professional and vocational programs of study to more than 426,000 students at its 64 campuses. The University is governed by a Board of Trustees consisting of 16 members, 15 appointed by the Governor and approved by the Senate, and one ex-officio trustee representing the student assembly of the State University. The State University operating budget supports an estimated 40,632 full-time equivalent (FTE) positions. Community College staff are not included in this total as they are not State employees.

Budget Proposal:

The SFY 2008-09 Executive Budget recommends All Funds appropriations of $7.35 billion (excluding capital funds), an increase of $266 million or 4 percent over the adjusted SFY 2007-08 levels. All Funds with capital appropriations included represent $11.6 billion, an increase of $4.1 billion or 56 percent over the current level, attributable mainly to the newly proposed $6.5 billion five-year capital plan.

The majority of the increase in operating support, approximately $156 million, is attributable to fringe benefit cost increases of which the General Fund represents $81.2 million. The University's Special Revenue appropriations are increased by $220 million or 5.4 percent, reflecting inflationary growth in the dormitory and hospital income reimbursable accounts. **General Fund support for the SUNY system totals $2.819 billion, an increase of $45.5 million or 1.6 percent from the current year.**

State-operated and statutory campuses are proposed to receive gross operating appropriations totaling $2.35 billion, a decrease of $67 million or 2.7 percent over the current year level. Of this amount, the General Fund supports $1.3 billion, a decrease of $39 million or 2.9 percent over the current level. The majority of this decrease relates to the Executive's proposal requiring SUNY to achieve savings of $34.2 million in 2008-09 through efficiencies. The savings thus represent a direct cut from the University's base operating needs. In addition, the Executive reduces support for SUNY's energy costs by $26.6 million from the current year level. A separate $45 million contingency appropriation outside of the SUNY budget is reserved for the University, should energy costs rise above the budgeted the amount. SUNY's employee fringe benefits and pension programs total $1.06 billion, an increase of $81.2 million or 8.3 percent over the current level. Funding for SUNY's Educational Opportunity Centers (EOCs) is reduced by $4.2 million, from $56.7 million to $52.4 million. This reduction reflects the Executive's elimination of last year's legislative increase of $6 million, offset by a modest mandatory cost increase. Funding for SUNY's Educational Opportunity Program is also reduced by $634,000 or three percent, from $20.4 million to $19.8 million, reflecting the Executive's elimination of prior year's legislative additions.

The SUNY system, through tuition and/or fee increases, is expected to generate an additional $1.05 billion in revenues during the 2008-09 academic year. The SFY 2008-09 Executive Budget does not recommend a tuition increase.

The Executive Budget proposes to establish the Stony Brook Collaborative Research Alliance among Stony Brook University, Brookhaven National Laboratory, and Cold Spring Harbor Laboratory. Initial operating funding of $250,000 and a capital appropriation of $15 million are recommended for purposes of the Alliance.

The Executive Budget recommends a new $1 million to support SUNY's nursing programs in order to help address a statewide nursing shortage. SUNY's Office of Diversity and Educational Equity is recommended for a $200,000 increase to be used to develop programs to meet the needs of English Language Learners. The Office was established in SFY 2007-08 with $300,000 in State funds.

Statutory and Contract Colleges:

The Executive Budget continues the practice, begun in 2006-07, which recognizes Cornell's land grant status by lining out $60 million for its land Grant mission. In the past, Cornell has relied on SUNY's Budget Allocation Process (BAP) for setting funding levels for its academic and land grant missions. Specifically lining out funding for Cornell's land grant mission provides stability for programs not funded with tuition. In addition, the SFY 2008-09 Executive Budget also lines out State operating support for academic programs at the New York State Statutory Colleges at Cornell University ($96.5 million) and the New York State College of Ceramics at Alfred University ($9.9 million).

University Income Accounts:

The SFY 2008-09 Executive Budget recommends $1.05 billion for SUNY's General Revenue Offset Account, unchanged from the current level. The University's Tuition Reimbursable Account (SUTRA) is being increased by $26.3 million to accommodate anticipated tuition and fee revenue from enrollment growth. The University's General Income Reimbursable Account (IFR) is also increased by $31.9 million or five percent, while the Dormitory Income Account would rise by $13.7 million or five percent from the current level to account for inflationary costs.

Community Colleges:

The SFY 2008-09 Executive Budget proposes to reduce community college base operating aid per full-time equivalent (FTE) student by $50, from $2,675 to $2,625. The proposed base aid total for SUNY community colleges would be $438 million, a net increase of $5 million or 1.2 percent over the current level, reflecting higher enrollment. Last year, the Legislature increased base aid by $50, from the $2,625 proposed by the Executive, to $2,675. The proposed base aid reduction is consistent with the Executive's elimination of many of last year's legislative additions. Also eliminated in the Executive Budget is a $1 million legislative add to support SUNY's small community colleges with low enrollment.

Funding for community college contract courses ($2 million) and child care centers ($1.06 million) programs are continued at the current levels. Funding for the Cooperative Extension program administered by Cornell is proposed for $500,000 reduction, reflecting last year's legislative increase. The Executive Budget also recommends funding for Cornell's Cooperative Extension Program at $3.6 million. State support for community colleges' Rental Aid would remain level at $9.1 million.

SUNY Hospitals:

The SFY 2008-09 Executive Budget maintains the existing appropriation structure (instituted in SFY 2001-02) under which the Hospitals' finances are separated from the SUNY system. This structure allows the Hospitals to pay their own operating and debt service costs. In accordance with this arrangement, the Executive Budget provides for a subsidy of $154.1 million for the teaching hospitals at Stony Brook, Syracuse, and Brooklyn, an increase of $7.8 million or 4.8 percent over the current level. This increase is related to collective bargaining, fringe benefit costs, and contractual increases.

Capital Plan:

The SFY 2008-09 Executive Budget recommends $6.5 billion for SUNY's new five-year capital plan (2008-09 through 2012-13). Approximately $3.26 billion of the proposed capital plan is appropriated for the SUNY academic facilities capital programs, $2.7 billion for the State-operated campuses and $525.6 million for the community colleges (see chart below).

For additional details of proposed capital plan, see "Higher Education Capital" in the ***Issues in Focus*** **section** of this publication.

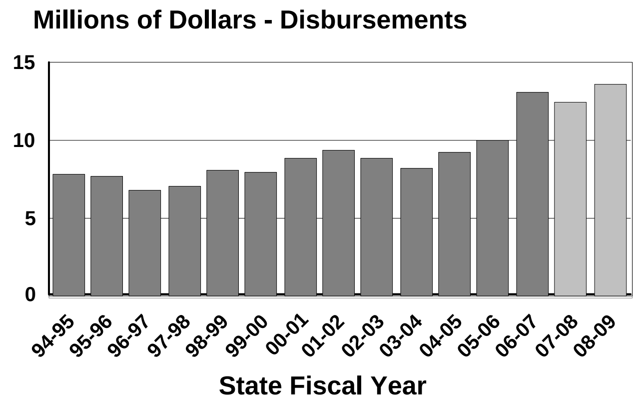
Senate Finance Contact:
Ade Somide ext. 2760

Proposed SUNY Capital Plan: 2008-09 through 2012-13		
	2008-09 Appropriations	**Future Appropriations**
Thousands of dollars		
SUNY		
State-operated Campuses	2,737,700	2,200,000
Community Colleges	525,595	
SUNY Academic sub-total	**3,263,295**	
SUNY Dormitories	573,000	
SUNY Hospitals	450,000	
Total SUNY	**4,286,295**	**2,200,000**
Grand TOTAL SUNY		**6,486,295**

STATE UNIVERSITY CONSTRUCTION FUND

Appropriations and Spending
(Thousands of Dollars)

Fund	Adjusted 2007-08	Proposed 2008-09	Change Amount	Change Percent
General	0	0	0	0.0%
Special	17,340	18,805	1,465	8.4%
Federal	0	0	0	0.0%
Other	0	0	0	0.0%
Capital	0	0	0	0.0%
Total	17,340	18,805	1,465	8.4%
Cash	12,478	13,680	1,202	9.6%



Agency Overview:

The State University Construction Fund is a public benefit corporation established in 1962 to serve as a construction agent for the State University of New York. The Construction Fund is responsible for the acquisition, construction, reconstruction, rehabilitation and improvement of academic buildings and other facilities at State operated campuses and statutory colleges. The Fund is administered by a Board consisting of three members. Support for the Construction Fund is provided solely from proceeds from the sale of revenue bonds issued to finance the construction and reconstruction of academic facilities. As of March 31, 2006, the Fund has completed 4,930 academic, dormitory and dining hall capital projects with a replacement value exceeding $20 billion.

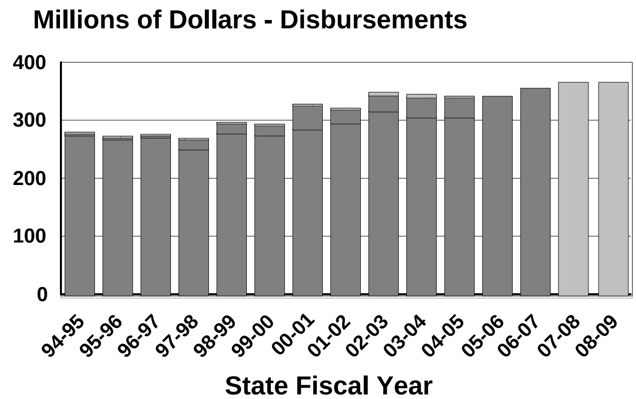
Budget Proposal:

The SFY 2008-09 Executive Budget recommends $18.8 million to support the State University Construction Fund (SUCF), an increase of $1.4 million or 8.4 percent over the current level. The increase is primarily related to the Fund's plan to increase its workforce to 135 fulltime equivalent (FTE) positions in SFY 2008-09. SUCF is currently managing SUNY's $4.7 billion Multi-Year Capital Investment Program. A small percentage of the increase is attributable to rising insurance and fringe benefit costs.

Senate Finance Contact:
Ade Somide ext. 2760

DEPARTMENT OF TAXATION AND FINANCE

Appropriations and Spending (Thousands of Dollars)				
	Adjusted	Proposed	Change	
Fund	2007-08	2008-09	Amount	Percent
General	311,352	313,720	2,368	0.8%
Special	76,420	86,837	10,417	13.6%
Federal	582	2,582	2,000	343.6%
Other	47,502	46,202	(1,300)	-2.7%
Capital	0	0	0	0.0%
Total	435,856	449,341	13,485	3.1%
Cash	358,658	367,454	8,796	2.5%



Agency Overview:

The Department of Taxation and Finance administers State taxes and various local taxes and also manages the State Treasury. The Department executes its mission through nine programs: Audit, Collections and Enforcement; Centralized Operations Support; e-Empire (Set to Expire March 31, 2008) Office of Conciliation and Mediation; Management, Administration and Counsel; Revenue Processing and Reconciliation; Tax Policy, Revenue Accounting and Taxpayer Guidance; Technology and Information Services; and Treasury Management.

Budget Proposal:

The SFY 2008-09 Executive Budget recommends All Funds appropriations of $449.3 million, an increase of $13.5 million or 3.1 percent from current levels. The Executive recommends the addition of 75 new positions to assist with the Department's Audit, Collection and Enforcement Program. The Department's Audit program would receive 45 new positions and the Criminal Enforcement program would receive 30 new positions.

The Executive proposes an Electronic Transaction Initiative to give the Department authority to require certain tax related documents, payments and signatures in electronic form, for a savings of $6.3 million in 2008-09.

The Executive has entered into a Federal Equitable Sharing Agreement for which the Department expects to receive an additional $2 million in Federal funds to support tax enforcement activities.

Article VII Legislation

The Executive has submitted a bill that would require taxpayers to pay the fee charged by the Federal government and other states for offsetting tax refunds to pay for the New York State income tax debts owed by those taxpayers. The bill would take effect immediately.

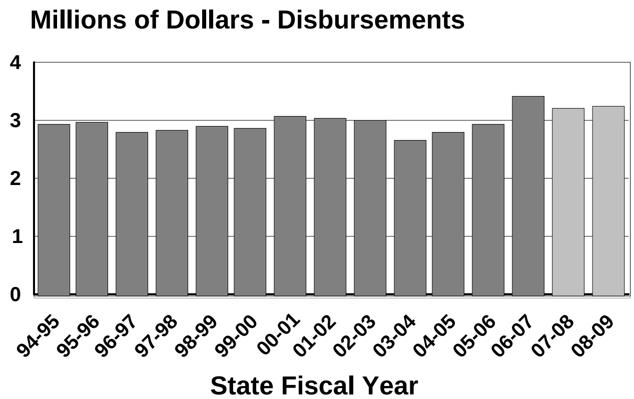
The Executive has submitted legislation to clarify that the Commissioner of Taxation and Finance has the power to use license plate recognition software and related visual detection equipment as a method to better enforce compliance with the Highway Use Tax. The Department already believes it has the authority to perform this enforcement, but none the less is asking for language explicitly stating it has this authority. The bill would take effect immediately.

The Executive has submitted legislation to create a program to encourage voluntary disclosure and increase compliance with the Tax Law. The bill would create a structure for taxpayers and non-filers to report deficiencies and file returns; provide that an assessment that includes a fraud penalty would proceed directly to the Division of Tax Appeals; amend the tax law to treat tax crimes the same as comparable larceny felonies; make permanent the disclosure and penalty provision relating to transactions that present the potential for tax avoidance through use of tax shelters; implement a sales tax registration program in order to update taxpayer information, delete obsolete registration and collect past due taxes; provide the commissioner with the ability to require electronic filing of tax returns in certain cases; and enhance enforcement related to cigarette and tobacco taxes.

Senate Finance Contact:
Kevin Bronner Jr. ext. 2752

DIVISION OF TAX APPEALS

Appropriations and Spending (Thousands of Dollars)				
	Adjusted	Proposed	Change	
Fund	2007-08	2008-09	Amount	Percent
General	3,228	3,273	45	1.4%
Special	0	0	0	0.0%
Federal	0	0	0	0.0%
Other	0	0	0	0.0%
Capital	0	0	0	0.0%
Total	3,228	3,273	45	1.4%
Cash	3,233	3,273	35	1.1%



Agency Overview:

The Division of Tax Appeals provides the public with a due process system for resolving disputes with the Department of Taxation and Finance.

The Division of Tax Appeals is headed by the Tax Appeals Tribunal, which is comprised of three commissioners appointed by the Governor and confirmed by the Senate. Under the direction of the Tax Tribunal, dispute adjudication is provided through small claims hearings, formal hearings and the Tribunal appeals process. The Division will have a workforce of 31 positions in SFY 2008-09.

The Division's functions are supported entirely with State tax dollars, which finance the Tribunal's staff and other expenses such as rent and supplies.

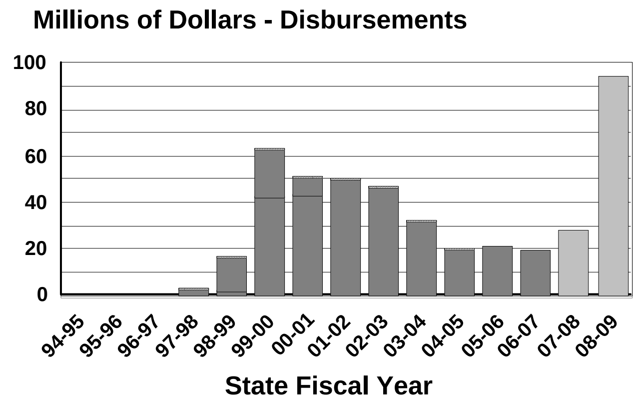
Budget Proposal:

The Executive Budget recommends $3.3 million in General Fund support for the Division, a net increase of $45,000, or 1.4 percent from SFY 2007-08 levels.

Senate Finance Contact:
Kevin Bronner Jr. ext. 2752

OFFICE FOR TECHNOLOGY

Appropriations and Spending (Thousands of Dollars)				
	Adjusted	Proposed	Change	
Fund	2007-08	2008-09	Amount	Percent
General	25,614	30,551	4,937	19.3%
Special	31,549	20,573	(10,976)	0.0%
Federal	0	0	0	0.0%
Other	266,200	319,260	53,060	19.9%
Capital	0	61,000	61,000	0.0%
Total	323,363	431,384	108,021	33.4%
Cash	28,309	94,073	65,764	232.3%



Agency Overview:

The Office for Technology (OFT) was statutorily created in 1997 and charged with planning and coordinating the State's technology investments. Over time, the Office has evolved into an organization responsible for setting a statewide agenda for technological improvement and advancement. The Office has also taken on significant operational duties in relation to customer State agencies.

Budget Proposal:

The Executive Budget recommends All Funds appropriations of $431.3 million in SFY 2008-09, an increase of $108 million or 33.4 percent from current levels.

Projected cash disbursements for OFT increase by $65.7 million or over 230 percent in SFY 2008-09. This increase is primarily due to the following:

- Anticipated capital spending on Statewide Wireless Network (SWN) contract payments, agency subscriber equipment and land. ($38.4 million)
- Capital spending on the Office's Universal Broadband Access initiative. ($10 million)
- Capital spending on preliminary construction of a Consolidated State Data Center. ($9.6 million)
- Capital spending on additional interim data center space. ($4 million)
- General Fund spending on rehabilitation and improvements to the existing four data center facilities. ($4 million)

General Fund:

The Executive proposes an increase of $4.9 million in General Fund spending to fund the following: $730,000 for 20 new information technology professionals to better serve customer agencies and implement statewide technology initiatives; $3.6 million for repairs and maintenance of the four existing data center facilities; and $607,000 for net cost adjustments for continuing current programs and salary increases.

Internal Service Funds:

The Executive proposes a $53 million Internal Service Funds increase. This increase is the result of a new $50 million initiative to centralize procurement and delivery of selected technology services for customer agencies. The Chief Information Officer anticipates issuance of a centralized technology contract by September 2008. In addition, a $3 million contingency appropriation is included for unplanned costs resulting from problems at the existing data center facilities.

Capital Projects:

The Executive proposes $61 million in new capital spending in SFY 2008-09. The majority of this funding increase ($38.4 million) would be spent on Statewide Wireless Network project costs associated with securing adequate interim data center space ($4 million), and beginning construction of a consolidated State data center ($9.6 million). The Executive also proposes to spend $10 million on infrastructure costs related to the Universal Broadband Access initiative.

In SFY 2006-07, the Legislature included $99.5 million for construction of a consolidated State Data Center. A small portion of capital, $200,000, was expended in SFY 2007-08 for a study to determine the appropriate location for the Center. This study is ongoing and a completion date has not yet been announced. As a result, the remaining $99.3 million is reappropriated in the SFY 2008-09 Executive Budget.

Statewide Wireless Network (SWN):

The Executive recommends All Funds appropriations of $59 million for SWN in SFY 2008-09, an increase of $42 million or 249 percent over current levels. This increase is the result of a new $38.4 million capital appropriation, as well as $3.2 million for inspection of newly constructed Systems Operations Centers and $433,000 for four new staff to provide project education and outreach to counties.

The recommended capital appropriation would be utilized as follows: $28.8 million on the purchase of subscriber equipment for first-round agencies; $5.4 million for development of Systems Operations Centers; $3.2 million for contract payment to M/A-COM; and $1 million for potential land acquisition.

SWN Background and Status:

In order to provide a single statewide public safety communications network, the Statewide Wireless Network project was developed in 2000. The SWN project called for a contractor to design and build a communications network capable of providing digital coverage for State and local public safety agencies across 99 percent of the State.

In April of 2004, the SWN project contract was awarded to M/A-COM and in September 2005, the contract between New York State and M/A-COM was approved by the State Comptroller. The contract is valued at $2.005 billion over a twenty year period.

Following contract approval, the Primary Regional Build-Out phase of the SWN project began in Erie County, Chautauqua County and the New York City/Mteropolitan Transportation Authority (MTA) region. Per the SWN contract, the deadline for completion and approval of the Primary Regional Build-Out in Erie and Chautauqua Counties is fifteen months from contract approval by the Comptroller or December 19, 2006, however, M/A-COM was unable to meet this deadline citing engineering and technical problems. As a result of these impediments, M/A-COM completed construction in Erie County in early October 2007 and testing began to determine if all contract stipulations were met. Testing revealed problems with the system and subsequently, M/A-COM was given until April 25, 2008 to address and correct these problems. The Executive Budget assumes the SWN project will successfully pass the second round of testing and continue on schedule. This assumption is reflected in the additional appropriation authority of $59 million proposed in the Executive Budget.

Article VII:

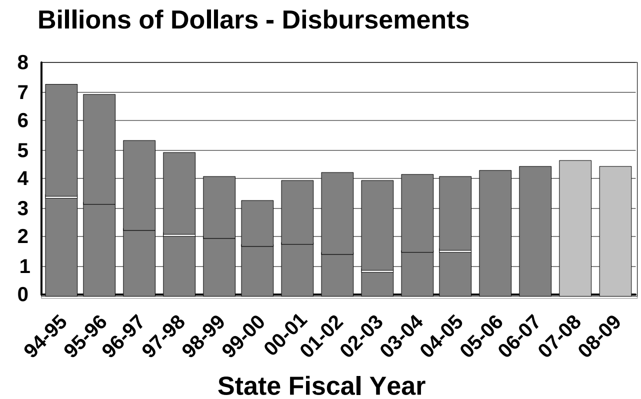
The Executive proposes to clarify technical definitions and administrative and enforcement provisions related to State and local wireless surcharges; consolidate subdivisions of County Law regarding authorization to levy a surcharge; amend County Law to conform permissible uses of wireless surcharge revenues by cities and counties; and impose a wireless surcharge on all prepaid cellular phones.

The Executive Budget includes $5 million in additional revenue generated from the wireless surcharge to all prepaid cellular phones in SFY 2008-09. This revenue is anticipated to grow to $12 million annually in SFY 2009-10.

Senate Finance Contact:
Lauren King, ext. 2935

OFFICE OF TEMPORARY AND DISABILITY ASSISTANCE

Appropriations and Spending (Thousands of Dollars)				
	Adjusted	Proposed	Change	
Fund	2007-08	2008-09	Amount	Percent
General	1,490,939	1,307,698	(183,241)	-12.3%
Special	185,579	185,370	(209)	-0.1%
Federal	3,495,730	3,445,378	(50,352)	-1.4%
Other	1,200	1,200	0	0.0%
Capital	30,000	30,000	0	0.0%
Total	5,203,448	4,969,646	(233,802)	-4.5%
Cash	4,664,522	4,481,508	(183,014)	-3.9%



Agency Overview:

Created in 1997, the Office of Temporary and Disability Assistance (OTDA) provides financial assistance for elderly and disabled persons who are unable to work and also provides support for those families that are attempting to gain self-sufficiency through employment. In addition, OTDA, in cooperation with the Department of Labor, assists many needy families in achieving economic independence through employment and job-training opportunities. OTDA has evolved from an Agency that focused on recipient eligibility to one that fosters self-sufficiency in families by helping clients obtain other means of support including employment.

Budget Proposal:

The SFY 2008-09 Executive Budget provides almost $5 billion in All Funds appropriation support, a decrease of $233.8 million or 4.5 percent, from current year levels.

Of the total decrease, $183.2 million is in the General Fund, and primarily reflects a $115.4 million increase in the amount of Federal Temporary Assistance for Needy Families (TANF) funds used to finance the Earned Income Tax Credit (EITC), thereby offsetting the same amount of General Fund support for the EITC.

A decrease of $40.5 million in General Fund spending is the result of the Executive's proposal to shift costs to local governments by increasing the local share of the cost of public assistance benefits by two percent. The Executive also proposes to redirect $7.5 million in local savings, generated by moving two parent families from TANF support to safety net support, to the State to offset State public assistance costs.

Temporary and Disability Assistance:

New York State receives a $2.4 billion block grant allocation annually from the Federal government as a result of the 1997 Welfare Reform Act. The Executive utilizes Federal TANF funds to provide a variety of support services to eligible families.

The SFY 2008-09 Executive Budget projects a public assistance caseload of 506,283, reflecting a slight decrease from their current year estimate of 507,477. The caseload is down from 565,814 in SFY 2006-07 and from a one time high of 1.7 million in 1994.

The SFY 2008-09 Executive Budget proposes spending $550.4 million in TANF funds on required benefits for eligible families, $718.4 million for the Earned Income Tax Credit (EITC), reflecting an increase of $115.4 million over the current year level, $1.01 billion for the Flexible Fund for Family Services (FFFS), for a proposed increase of $356.3 million over the current year, and $91.8 million on various support programs, reflecting a decrease of $490.2 million, due primarily to the Executive eliminating specific allocations for child care subsidies.

TANF surplus spending is proposed at $1.82 billion, a decrease of $18.5 million from the SFY 2007-08 spending level.

The following chart details proposed SFY 2008-09 Executive spending for the available TANF surplus. It should be noted that under the Executive proposal, $112.4 million in funding for various programs supported with TANF in the OTDA budget in the current year would be supported at the same level by the General Fund in SFY 2008-09, and transferred to the agency that currently administers the program. These programs are delineated in the following chart.

TANF Surplus Spending
SFY 2008-09
(millions of dollars)

Program	SFY 07-08	SFY 08-09
Earned Income Tax Credit	$603.1	$718.4
Child Care Subsidies	$356.3	$ -
Child Care for Migrant Workers	$1.8	$1.8
Child Care Demos	$11.0	$ -
Child Care SUNY/CUNY	$3.4	$3.4
Transportation	$8.3	$6.2
DV Screening	$3.0	$3.0
Summer Youth Employment	$35.0	$35.0
Advantage After Schools	$28.2	GF OCFS
Home Visiting	$21.6	GF OCFS
Food Pantries	$12.5	GF DOH
Pregnancy Prevention	$12.1	GF DOH
Adolescent Pregnancy Prevention	$7.3	GF DOH
WIC	$5.0	GF DOH
Alternatives to Incarceration	$4.0	GF DPCA
Refugee Resettlement	$ 1.4	$1.4
BRIDGE	$6.5	$6.5
Wage Subsidy Program	$4.0	$4.0
Preventive Services Initiative	$20.5	$ -
Technology Training	$7.0	$ -
Language Immersion/ESL	$2.0	$2.0
Adult & Family Literacy	$1.0	$1.0
VESID / LIVES	$1.5	$ 1.5
Supplemental Homeless Intervention	$4.0	$4.0
Emergency Homeless	$1.0	$1.0
Disability Advocacy	$1.0	$1.0
Supportive Housing for Families	$5.0	$5.0
Basic Education	$1.0	$1.0
Caretaker Relative	$1.2	$ -
Jack Kennedy Build NY	$1.0	$ -
AFL-CIO	$0.4	$ -
Intensive Case Services	$14.0	$14.0
Flexible Fund for Family Services	$654.0	$1,010.3
TOTAL	**$1,839.1**	**$1,820.5**

The Executive proposes $5.2 million for increased benefit payments associated with the elimination of a requirement that shelter payments be reduced for households with a recipient diagnosed with HIV or AIDS and a child in receipt of Supplemental Security Income (SSI).

The Executive proposes to reduce $6.5 million in General Fund support for software development costs for the Statewide Welfare Management System and the Child Support Management System, and instead use bond proceeds to finance the costs.

The Executive proposes to authorize OTDA to access the Department of Taxation and Finance's Wage Reporting System (WRS) to provide information on former public assistance recipients to better assess the effectiveness of training and transitional benefit programs.

Child Support Initiatives:

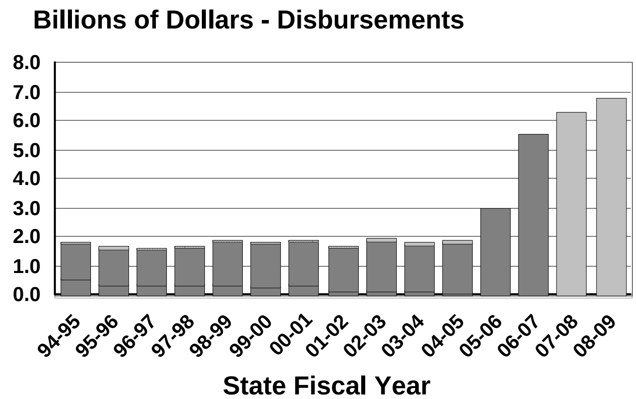
The Executive proposes to increase the maximum amount of monthly child support that a family on public assistance can keep from $50 to $100, at a cost to the State of $1 million.

The Executive also proposes a $25 annual service fee on individuals receiving child support services who have never received public assistance ("never assistance"), and for whom at least $500 in child support is collected annually. The change is required by the Federal Deficit Reduction Act of 2005 (DRA).

Senate Finance Contact:
Michael Paoli ext. 2315

DEPARTMENT OF TRANSPORTATION

Appropriations and Spending (Millions of Dollars)				
	Adjusted	Proposed	Change	
Fund	2007-08	2008-09	Amount	Percent
General	106	103	(3)	-2.8%
Special	2,743	2,911	168	6.1%
Federal	62	71	9	14.5%
Other	0	0	0	0.0%
Capital	4,445	4,638	193	4.3%
Total	7,356	7,723	367	5.0%
Cash	6,291	6,777	486	7.7%



Agency Overview:

The Department of Transportation (DOT) directly maintains and improves the State's more than 40,000 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's full time workforce by the end of the current fiscal year (SFY 2007-08) will total approximately 10,271.

Budget Proposal:

Recommended DOT appropriations for SFY 2008-09 total $7.7 billion, reflecting a year-to-year increase of $367 million or five percent over the current year. Actual disbursements are expected to grow by $486 million or eight percent as the result of a proposed State and Local Bridge Preservation Program, increased operating transit aid and scheduled capital plan increases for construction and preventive maintenance. Legislative initiatives included in the SFY 2007-08 enacted Budget which have been eliminated in the SFY 2008-09 Executive Budget include: $17.5 for clean air-related mass transportation, $3 million for diesel emissions reduction on State vehicles, $300,000 for the Seaway Trail and $300,000 for highway and road construction in the City of Rochester.

Capital:

SFY 2008-09 is the fourth year of the five year Transportation Capital Plan (evenly split between DOT and the MTA) enacted by the Legislature as part of the SFY 2005-06 Budget. DOT and the MTA will submit new five year capital plans by March 31, 2008, one year ahead of schedule. This was required by Chapter 384 of the Laws of 2007 which also created "The Congestion Mitigation Commission" (TCMC) to review and study Mayor Bloomberg's congestion pricing plan and other alternative plans.

The SFY 2008-09 Executive Budget increases the $18.8 billion DOT portion of the capital plan to $19.4 billion, a $587 million increase. This increase includes $287 million for the proposed State and Local Bridge Preservation Program and $300 million in additional Federal Funding for Projects of Statewide Significance. The $287 million proposed Bridge Preservation Program would be funded for $140 million in SFY 2008-09 and $147 million in SFY 2009-10. The funding breakdown for SFY 2008-09 is: $13 million to support ten new bridge crews (262 FTEs), $67 million for capital and engineering (77 FTEs), and $60 million for localities to pay for 80 percent of individual projects.

Statewide Significant Projects eligible for Federal Capital funds include: Route 17 - Interstate 86, Route 219, Gowanus Expressway, Fort Drum Connector and border crossings. The proposed State and Local Bridge Preservation Program is being introduced ahead of the scheduled date for DOT to submit a new capital plan. Bond Act funding pursuant to the five year capital plan is scheduled to decrease by $15 million in SFY 2008-09.

The Dedicated Highway and Bridge Trust Fund (DHBTF) has a $119 million shortfall projected for SFY 2008-09. To address this shortfall and fund new capital plan spending proposals the Executive proposes two revenue sources for the Trust Fund. To fund the State and Local Bridge Preservation Program the Executive proposes increasing the $5 fee assessed on motor vehicle insurance policies to $20. Ten dollars of this would be dedicated to the DHBTF. The Executive estimates that the $10 portion of the fee will generate $97 million in new revenues in SFY 2008-09 and $129 million in new revenues in SFY 2009-10. The second source of funding would be a proposed $119 million transfer from the General Fund in SFY 2008-09 and a $212 million transfer in SFY 2009-2010. It should be noted that in SFY 2008-09 the Executive Budget includes a $221 million appropriation from the DHBTF to pay for approximately 60 percent of DMV expenses.

The Executive Budget recommends that Capital Plan obligations for the five year period increase by $569 million to reflect the proposed increases to the capital plan. The proposed obligation level includes $2.1 billion for highway and bridge construction contracts (letting level), reflecting an increase of $153 million or roughly eight percent over the current year. Additional funding is also included for 322 positions which are mostly connected with engineering and other services for the proposed State and Local Bridge Preservation Program. The Executive also proposes the continued policy of replacing contracted work with DOT positions. The chart on the next page outlines SFY 2008-09 capital spending.

The Industrial Access Program currently funds private sector transportation projects related to manufacturing facilities. The Executive proposes to decrease this program by $18 million. The SFY 2008-09 Executive Budget includes the Upstate Regional Blueprint Fund and the Downstate Revitalization Fund within the Economic Development Budget which would have the ability to fund projects similar to the Industrial Access Program. There is no specific set aside in these proposals for transportation projects. The $30 million High Speed Rail initiative is also in the Economic Development Budget.

Local highway and bridge capital programs include the Consolidated Highway Improvement Program (CHIPS), and the Municipal Streets and Highways Program ("Marchiselli" Program). These programs are funded by bonds issued by the Thruway Authority with debt service paid from the DHBTF. The Executive proposes CHIPS capital program funding at $303.1 million in SFY 2008-09, reflecting a decrease of $9.4 million from the current year. Annual CHIPS apportionments are based on the number of center line miles of roadway under local jurisdiction, along with the number of motor vehicle registrations. The SFY 2008-09 Executive Budget includes $39.7 million for Marchiselli program leaving the funding at the same level as SFY 2007-08.

TOTAL CAPITAL PLAN OBLIGATIONS	2007-08 Enacted ($ millions)	2008-09 Proposed ($ millions)	Change ($millions)
Construction Contracts	10,165	10,465	300
Engineering & Management	3,757	3,757	0
Preventive Maintenance	1,219	1,219	0
Right of Way	400	400	0
Bridge Preservation	0	287	287
Maintenance Facilities	173	173	0
Industrial Access	36	18	-18
Special Federal Programs	360	360	0
Rail Development	235	235	0
Aviation Systems	116	116	0
Non-MTA Transit	235	235	0
Canal Infrastructure	50	50	0
Capital Aid to Locals	1,717	1,717	0
Multi-Modal Projects	350	350	0
Total	**18,813**	**19,382**	**569**

Operating Budget:

The primary focus of DOT operations is on preventive maintenance, especially snow and ice removal from State highways. The SFY 2008-09 Executive Budget provides $580 million in appropriations for snow and ice removal and preventive maintenance performed on State roads and bridges. This funding level reflects an increase of $17 million over the current year level to cover salary increases and inflation. These operation programs are financed by the Dedicated Highway and Bridge Trust Fund (DHBTF).

Transit Funding:

DOT classifies transit systems as either upstate or downstate based on the location of their service area. Downstate systems serve the Metropolitan Commuter District and include the Metropolitan Transportation Authority (MTA), two commuter rail operations, and systems serving the counties of Nassau, Suffolk, Dutchess, Westchester, Putnam, Orange, and Rockland. The upstate transit system grouping includes the four public transportation authorities, including the Niagara Frontier Transportation Authority (NFTA), the Rochester Genesee Regional Transportation Authority (RGRTA), the Central New York Regional Transportation Authority (CNYRTA) and the Capital District Transportation Authority (CDTA).

The SFY 2008-09 Executive Budget includes over $3 billion for transit operating assistance. This reflects an increase of $169 million or six percent over SFY 2007-08 levels. Of the total, $2.6 billion in operating aid is proposed for the MTA, including Long Island Bus, reflecting a $148 million or 5 percent increase in state operating assistance over SFY 2007-08. This amount meets the level anticipated in the MTA's financial plan for 2008.

Non-MTA transit systems would receive $390 million in operating aid, for an increase of $21 million above the current year level. Of the total, Upstate transit plans would receive $175 million, for an increase of $9 million over the current year or five percent overall. However, rates of increase among plans vary with no increase in funding provided for the Capital District Transit Authority (CDTA) and a $3 million decrease for Rochester Genesee Regional Transportation Authority (RGRTA). The non-MTA downstate transit plans would receive $215 million, for an increase of $11.6 million above the current year level. All of the downstate transit systems would receive additional funding, under the Executive proposal, with the exception of Rockland which would remain at the SFY 2007-08 level.

Other Executive Proposals:

- Require that non-MTA transit systems purchase buses through a consortium in order to receive the maximum State grant.

- Extend permanently DOTs single audit program. This proposal was rejected last year by the Legislature and the provision was extended for one year.

- Change the DHBTF reporting requirements in the Capital Program and Financing Plan. This was rejected last year by the Legislature.

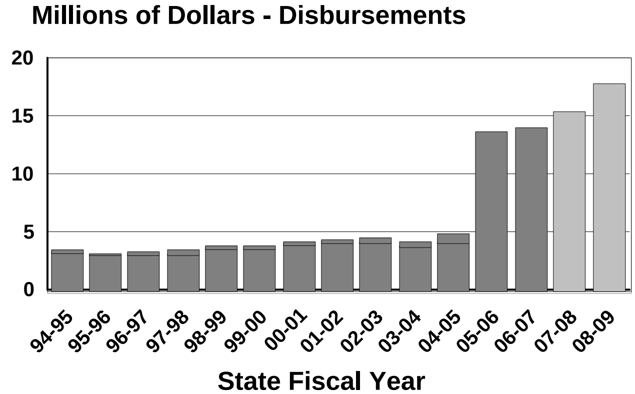
- Eliminate the return of the deposit for plans and specification to the successful bidder on transportation capital projects.

- Eliminate the decrease in the amount of CHIPS funding when one municipality contracts to maintain the transportation infrastructure of another local government.

Senate Finance Contact:
Mary Clark ext. 2753

DIVISION OF VETERANS' AFFAIRS

Appropriations and Spending (Thousands of Dollars)				
	Adjusted	Proposed	Change	
Fund	2007-08	2008-09	Amount	Percent
General	14,742	15,678	936	6.3%
Special	0	0	0	0.0%
Federal	2,354	2,354	0	0.0%
Other	0	0	0	0.0%
Capital	0	0	0	0.0%
Total	17,096	18,032	936	5.5%
Cash	15,368	17,820	2,452	16.0%



Agency Overview:

The New York State Division of Veterans' Affairs assists New York State veterans, members of the armed forces, their dependents and survivors in securing benefits through counseling programs, as well as through claims and outreach services.

Budget Proposal:

The SFY 2008-09 Executive Budget recommends All Funds appropriations of $18 million, reflecting a net increase of $935,700 or 5.5 percent from the current fiscal year.

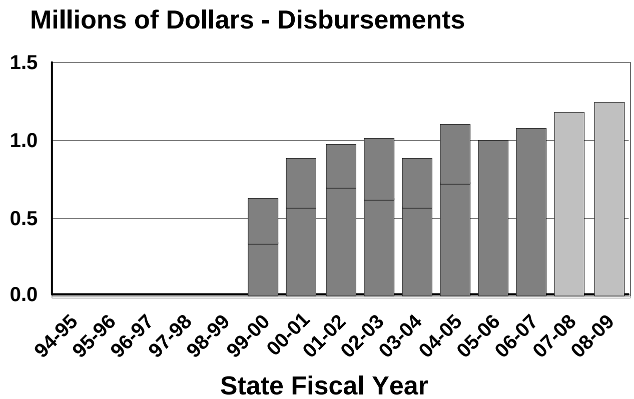
The proposal reflects total increases of almost $2.7 million, including $650,000 related to payments of Gold Star Annuity benefits to eligible families of deceased veterans, authorized pursuant to Chapter 399 of the Laws of 2007. The proposed increase also includes $1.7 million for payment of Merchant Marine bonus benefits, authorized pursuant to Chapter 325 of the Laws of 2007. Another $220,000 of the increase is for annual cost of living adjustments for the Blind Veteran Annuity Assistance Program, which will provide assistance to over 4,500 recipients in SFY 2008-09. The proposed increase is partially offset by the elimination of over $1.7 million in legislative initiative funding to local veterans' programs.

Senate Finance Contact:

OFFICE OF WELFARE INSPECTOR GENERAL

Appropriations and Spending (Thousands of Dollars)				
	Adjusted	Proposed	Change	
Fund	2007-08	2008-09	Amount	Percent
General	408	420	12	2.9%
Special	929	1,177	248	26.7%
Federal	0	0	0	0.0%
Other	0	0	0	0.0%
Capital	0	0	0	0.0%
Total	1,337	1,597	260	19.4%

Cash	1,181	1,243	62	5.2%



Agency Overview:

The Office of Welfare Inspector General, established in 1992, is responsible for the investigation, prevention and prosecution of public assistance fraud. The Office of Welfare Inspector General works with the Department of Law, the Office of Temporary and Disability Assistance, the Office of Children and Family Services, and many local social services districts to prevent and prosecute fraudulent activity in the welfare system.

Budget Proposal:

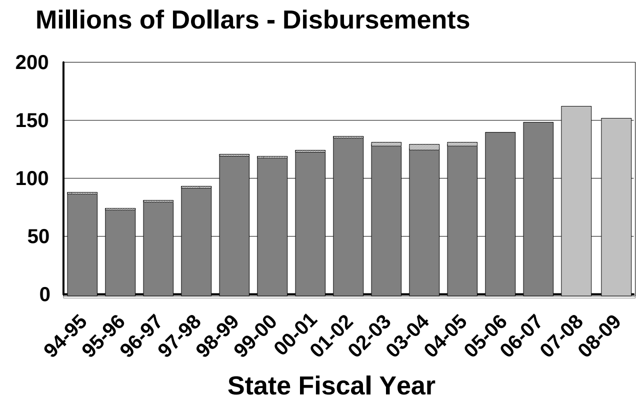
The SFY 2008-09 Executive Budget provides $1.6 million in All Funds support, an increase of $260,000 or 19.4 percent. This increase is primarily the result of inflation and fringe benefit cost increases.

Senate Finance Contact:
Mike Paoli – ext. 2315

WORKERS' COMPENSATION BOARD

Appropriations and Spending
(Thousands of Dollars)

Fund	Adjusted 2007-08	Proposed 2008-09	Change Amount	Change Percent
General	0	0	0	0.0%
Special	212,803	201,793	(11,010)	0.0%
Federal	0	0	0	0.0%
Other	0	0	0	0.0%
Capital	0	0	0	0.0%
Total	212,803	201,793	(11,010)	0.0%
Cash	162,246	152,828	(9,418)	0.0%



Agency Overview:

The Workers' Compensation Board (Board) reviews claims for workers' compensation payments and assists in resolving disputed claims. It is charged with the administration of numerous provisions contained in the: Workers' Compensation Law; Disability Benefits Law; Civil Defense Volunteers Law; Volunteer Firefighters Benefit Law and the Volunteer Ambulance Workers Benefit Law.

The Board is governed by twelve full time members. Each serves a seven year term. The Governor appoints the Chairperson from among the members. Three major programs deliver the bulk of the Board services and are as follows: the Disability Benefits Program; the Systems Modernization Program; and the Workers' Compensation Program.

Assessments on the insurance industry and revenues generated by services provided fully fund the operations of the Board.

Budget Proposal:

The Executive recommends Special Revenue Fund appropriations totaling $202 million to support agency operations in SFY 2008-09, a decrease of $11 million or 5 percent from SFY 2007-08. The decrease over the prior year is primarily attributable to a change in the Board's anticipated response regarding defaults in group self-insured trusts which permit businesses to not simply remit payment to an insurance company, but rather have their own plan.

Senate Finance Contact:
Heather Mowat ext. 2820