



NEW YORK STATE SENATOR

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Governor Cuomo Outlines 2013-2014 Executive Budget to Maintain Fiscal Responsibility and Continue to Invest in Economic Growth

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Governor Andrew M. Cuomo unveiled the proposed 2013-14 Executive Budget and Management Plan that builds on two years of balanced, fiscally responsible budgeting and invests in economic development, education reform, rebuilding after Superstorm Sandy, provides support to local governments and school districts, and includes no new taxes or fees.

Highlights of the Executive Budget:

- Eliminates \$1.3 billion budget gap with no new taxes or fees. The expected gap for 2013-14 was projected to be \$17.4 billion prior to the last two responsible budgets.
- Holds spending increases below 2 percent for third consecutive year.
- Increases education aid by \$889 million, or 4.4 percent, driving an average increase of more than \$300/student per year.
- Targets economic development spending to accelerate the commercialization of new technology, launches a third round of the Regional Economic Development Councils, and markets the state's tourism assets to bolster economic growth, especially Upstate.

- Reforms the Workers' Compensation system to save employers, local governments, and school districts more than \$900 million.
- Includes nearly \$974 million in savings from government redesign and cost control efforts
- Builds on the significant mandate relief enacted in 2012-13 by providing a Stable Rate Pension Contribution Option to allow local governments and school districts to immediately realize Tier VI savings.
- Raises the minimum wage from \$7.25/hour to \$8.75/hour.

The Executive Budget includes:

- All Funds spending of \$136.5 billion in the fiscal year that begins April 1, 2013, an increase of \$2.5 billion or 1.9% from 2012-13. All Funds include federal funds.
- State Operating Funds spending of \$90.8 billion, an increase of \$1.4 billion, or 1.6 percent. State Operating Funds exclude federal funds and long-term capital spending.

A Continued Commitment to Fiscal Responsibility

Governor Cuomo's Executive Budget eliminates a budget gap of \$1.3 billion in 2013-14 and further lowers the budget gaps projected in future years.

- State Spending Growth Held Under 2% For Third Consecutive Year: The Executive Budget holds annual spending growth in State Operating Funds to 1.6 percent. All Funds spending increases by 1.9 percent from the level estimated for 2012-13.
- No New Taxes or Fees: For the third consecutive year, the Executive Budget closes the budget gap with no new taxes or fees.

· \$974 Million in Savings from Government Redesigns and Cost Control Efforts: As a result of initiatives spearheaded by the Governor since he took office to streamline state agency operations, government is doing more with less. The state's 2013-14 fiscal plan takes into account \$974 million in savings from state agency redesign and cost-control efforts.

Economic Development

With state finances steadied, New York has the means to target new spending to grow the economy and create jobs and train students for the demands of the 21st Century workforce. The 2013-14 Executive Budget continues to invest in rebuilding New York's economy by funding new initiatives and targeting spending to focus on accelerating the commercialization of new technology to create new businesses, providing additional resources for regional economic strategies guided by the Regional Economic Development Councils, and marketing the state's tourism assets to bolster economic growth, especially Upstate. Major initiatives include:

· Innovation Hotspots and Tech Transfer: The Executive Budget provides funding for a multi-faceted plan – outlined by the Governor in the 2013 State of the State Address – to foster the commercialization of innovative ideas from our academic institutions. The Budget provides the initial funding to launch: the Innovation Hot Spots program that will create or designate ten high-tech innovation incubators at locations affiliated with higher education institutions to encourage private-sector growth; a new \$50 Million Innovation Venture Capital Fund that will provide critical seed and early-stage funding to incentivize new business formation and growth in New York State and facilitate the transition from ideas and research to marketable products; and the Innovation NY Network that will build collaboration among academics, venture capitalists, business leaders, patent lawyers and other professionals to facilitate and enhance the commercialization process.

- Next Generation Job Linkage Program: The Budget includes \$5 million in performance grants to incentivize community colleges to place students in high demand jobs.
- Regional Councils: Since their launch in 2011, the Regional Economic Development Councils have leveraged close to \$5 billion in total project investment, spurred by \$1.5 billion in state funding. To build on this success, the Executive Budget includes \$150 million for a third round of the Regional Council process.
- NY Works Economic Development Fund Program: The Executive Budget includes \$165 million for capital grants that support job creation and retention and fund investments that facilitate business expansion and the attraction of new businesses.
- Market NY: To bolster Upstate economic growth, the Governor laid out in his State of the State address a multi-faceted marketing plan. The Executive Budget provides the funding needed to launch the Market NY program which includes the Taste-NY initiative and a new competitive grant program for regional tourism marketing.
- Commitment to Western New York: The Executive Budget provides \$100 million in funding and Excelsior tax credits as part of the Governor's ten-year \$1 billion commitment to revitalize Buffalo's regional economy, and \$60 million as part of the state's contribution to keep the Bills in Buffalo.
- NYSUNY 2020 and NYCUNY 2020: The Executive Budget includes \$55 million for a third round of NYSUNY 2020 and \$55 million for a new NYCUNY 2020 program. The competitive funding will support projects that link the knowledge and innovation of higher education to regional economic revitalization.
- House NY: To finance the creation and preservation of more than 14,300 affordable housing units, the Executive Budget initiates a five year, \$1 billion investment, including the transfer

of the Mitchell-Lama affordable housing asset portfolio from Empire State Development to Homes and Community Renewal.

- **Minimum Wage Increase:** As called for in the Governor's State of the State address, the Executive Budget increases the minimum wage from \$7.25 to \$8.75 an hour, bringing it more in line with the cost of living. The change would take effect July 1, 2013. Over 705,000 workers would be affected and total wages would increase by an estimated \$1.01 billion per year.

- **Major Reform of Workers' Compensation System:** The Executive Budget includes a sweeping reform of the state's complex and inefficient Worker's Comp system that will provide \$900 million in savings to employers, local governments, and school districts without affecting the rights of workers. The reform plan will allow the State Insurance Fund to release reserves no longer needed to fund future liabilities, which will be used to fund job-creating capital projects and help reduce the state's debt.

- **Unemployment Insurance Reform:** The Executive Budget proposes substantial reforms that will decrease costs to employers and modernize the Unemployment Insurance system. For UI claimants, reforms will increase both minimum and maximum weekly benefit rates. For employers, reforms will lower total costs, with a savings of \$400 million over ten years.

- **Enhance New York Film Production Tax Credit:** The Executive Budget extends the Empire State film production tax credit of \$420 million a year for an additional five years. Restrictions on claiming the post-production portion of the credit will be reduced and additional reporting will be required to document the effectiveness of the credit in creating jobs.

- **Extend Historic Commercial Properties Rehabilitation Credit:** To provide assurance to developers who are rehabilitating historic commercial property, or are considering doing so,

the Budget extends the existing \$5 million per project tax credit for five years (2015-2019) and makes the credit refundable beginning in tax year 2015.

Reimagining Government

The 2013-14 Executive Budget allows New York to take the next steps in reimagining state government, allow for even greater transparency and efficiencies, and improve citizen engagement. A new website – www.OpenBudget.NY.gov – has been launched to provide New Yorkers with unprecedented access to information and resources regarding the state budget.

- Implement the Justice Center: The Executive Budget implements the Justice Center for the Protection of People with Special Needs by transferring Commission on Quality of Care and Advocacy for Persons with Disabilities operations to the new Justice Center.

- Improve DMV Customer Service. The Executive Budget proposes a comprehensive customer service improvement initiative at the Department of Motor Vehicles (DMV) that is designed to reduce office wait times to 30 minutes or less by early 2014, increase the number of transactions serviced via technology outside of DMV offices by 50 percent, and put in place Saturday hours in certain offices.

- Continue Right-Sizing Prison Capacity: To realign the prison system's capacity with continuing declines in the offender population and to achieve recurring savings for taxpayers, the Executive Budget recommends the closure of two prisons – Bayview in Manhattan and Beacon in Dutchess County. The closures are expected to reduce bed capacity by more than 432, and will save \$18.7 million in 2013-14 and \$62.1 million in 2014-15. Closure of the facilities will impact 273 employment positions, all of which can be absorbed in the current system.

- Improve the Workforce Development System: The state's current workforce development system fails to train individuals to fill existing job openings, and is not equipped to prepare New Yorkers for the jobs that will be in demand over the next five to ten years. State agencies will adopt consistent and high performance standards for workforce training and development, in conjunction with and certified by the State Department of Labor.

- Improve Services to Veterans: The Executive Budget enables the New York Employment Services System to be expanded to serve as a centralized statewide case management system for services to veterans, funded through a federal grant.

- Government Consolidation and Mergers: The Executive Budget provides for a series of consolidations and mergers to make government more efficient and save taxpayer dollars:

- o Consolidate all of the state's Medicaid administration activities into the Department of Health

- o Transfer the Homeless Housing Assistance Program – which finances construction of housing units for homeless individuals – from the Office of Temporary and Disability Assistance to Homes and Community Renewal to give affordable housing developers a single point of contact and oversight

- o Merge the Office of the Welfare Inspector General into the Office of the Inspector General.

- o Merge the Governor's Office of Employee Relations with the Department of Civil Service to create a single State Employee Workforce Development Center

- o Coordinate and consolidate public health and environmental labs functions which are currently operated by five agencies.

- o The Department of Health and the Department of Civil Service will adopt a common strategy for purchasing health insurance and medical services that could save taxpayers \$50 million annually.
- o Consolidate disparate state agency print facilities into designated anchor facilities, based on proximity and common printing capability. This will reduce the number of print shops by 63 percent (from 24 to 9), and improve services and consistency while saving taxpayer dollars.
- o Consolidate warehouse functions, beginning with new policies to ensure a sound and reliable inventory system.

Mandate Relief and Local Government Aid

Building on the significant mandate relief enacted in 2012-13, the Executive Budget provides local government officials with additional tools to manage their finances in a responsible manner. The 2013-14 Budget contains several new proposals to continue to assist localities during this difficult economic period.

· **Stable Rate Pension Contribution Option:** With Tier VI in place, there is now an opportunity to adopt an alternate pension funding mechanism – a Stable Rate Pension Contribution Option to allow local governments and school districts to lock in long-term, stable rate pension contributions for a period of years that would dramatically reduce near-term payments but still achieve full funding in each system over the long-term. These immediate and significant savings will provide immediate access to the savings of Tier VI and offer local governments and school districts needed relief, improving their ability to maintain necessary services to their residents and students. Local governments who opt in would avoid significant volatility in contribution rates and be better able to plan for the future. The option is voluntary and requires approval from the Comptroller's office.

- Local Sales Tax Rate Renewals: The Executive Budget allows counties to renew their existing sales tax authority without action by the State Legislature. The current process creates unpredictability that makes it difficult for local officials to manage their budgets. Any proposed rate increase would continue to require State Legislative approval.
- Unnecessary Reporting Requirements: All local government and school district reporting requirements would be eliminated on April 1, 2014 unless the Mandate Relief Council approves continuing them. This will place the burden of proof on state agencies and authorities to justify continuing a report.
- Reform Early Intervention Program: The Executive Budget recommends a series of modifications to the Early Intervention Program that will expand insurance coverage and streamline eligibility determinations, without impacting services, to provide significant fiscal and administrative mandate relief to counties and generate savings totaling more than \$60 million over five years.
- Enhance General Public Health Work Program: The General Public Health Work program provides state aid reimbursement to Local Health Departments for a core set of public health services. Reforms associated with the first major overhaul of this program since its enactment will promote state health priorities, incentivize performance, and provide administrative relief to counties. The Budget will achieve \$3.5 million in savings in 2014-15 and provide mandate relief for local governments of more than \$16 million over five years.
- Reforms to Preschool Special Education: To increase the incentive for local governments to find and recover fraudulent and inappropriate spending by providers, counties and New York City would be allowed to keep 75 percent of all recoveries from local audits, nearly double the 40.5 percent that they are currently allowed to retain. In addition, New York City will be given the authority to establish rates with approved Preschool Special Education

providers.

- School District Mandate Relief: As recommended by the Mandate Relief Council, the Executive Budget will create a new waiver process which will allow school districts to petition the State Education Department for flexibility in special education requirements. In addition, the burdensome requirement of maintaining an internal auditor for school districts with fewer than 1,000 students will be eliminated. Parental input will be included as part of the waiver process.

- Local Government Assistance: Consistent with 2012-13, the Executive Budget would maintain \$715 million in unrestricted aid (AIM) to cities, towns and villages. In addition, funding for a series of local government efficiency and citizen empowerment programs will be extended.

Sandy Relief

The Executive Budget provides support for Superstorm Sandy recovery and rebuilding projects, programs, and other initiatives. Specifically, the Budget includes appropriations of \$21 billion for disaster-related recovery, rebuilding and mitigation. An estimated \$30 billion of Federal aid will flow through these appropriations or be directly administered by the Federal government, local governments and other entities.

- Community Reconstruction and Mitigation Plans: Communities that were hit hard by Superstorm Sandy, Superstorm Irene and Tropical Storm Lee will be eligible for rebuilding and mitigation grants.

- The Recreate NY Smart Home and Recreate NY Home Buy-Out Programs: The programs will ensure that New York rebuilds to modern building standards and, in locations where rebuilding is impractical, provide a voluntary home buyout alternative.

- **Rebuilding and Hardening of Critical Infrastructure:** Investments will be made in the areas of transportation, fuel supply, water supply, wastewater treatment systems, and electric distribution and flood protection systems.
- **Repair and Build Natural Infrastructure to Protect Coastal Communities:** Address the need to restore damaged beaches, dunes, and berms, and build new natural infrastructure including wetlands, reefs, dunes, and berms to reduce the impact of wave action, storm surges, and sea level rise.
- **Restore Healthcare Facilities:** Improvements will be made at hospitals, nursing homes and clinics to ensure these critical facilities are more resilient to future storms.
- **Universal Protocols for Emergency Response:** To improve coordination among state and local emergency response professionals, the Division of Homeland Security and Emergency Services will collaborate with SUNY to develop a training program which covers incident command, response, recovery, and state emergency protocols.
- **A New Resilient Information System:** Existing mobile messaging and social networking technologies will be leveraged to integrate disaster planning, preparedness and response. This will include “NY-TEXT”, a program to allow mass text messages to be sent to all wireless phones in a chosen area.
- **Specialized Training for National Guard Members:** Training will be provided in key emergency response categories such as power restoration, search and rescue, heavy equipment operation, and crowd management. During Sandy, more than 4,500 Guard members provided relief and accelerated the recovery. With additional training and skills, these Guard members can have an even greater impact when responding to disasters.

- Pre-positioned Stockpiles of Essential Equipment: Critical equipment such as generators, water tankers, chainsaws, piping, light towers, and pumps will be purchased and pre-positioned in anticipation of the next emergency.
- A Statewide Volunteer Network: Establishment of a network of individuals, non-profit organizations and corporations will help the state meet critical needs in disaster relief efforts by matching volunteers with opportunities to assist.
- A Citizen Education Campaign: This program will better prepare New Yorkers by providing information, resources and supplies, reducing the number of families in need during a disaster and allowing first responders to focus greater attention on those who are most vulnerable.
- Establishment of Vulnerable Population Databases: First responders, outreach workers, and healthcare and human services personnel will have access to information to help find and serve those who may need assistance.
- Energy Sector Worker Training: This new program will ensure availability of skilled professionals to quickly diagnose and replace damaged components and maintain a state of good repair.
- Design-Build for Sandy Relief: The Executive Budget also authorizes Design-Build – a proven way to reduce costs and speed completion – for agencies that will implement disaster recovery projects.
- Strengthening the Public Service Commission: The Budget implements the Moreland Act Commission recommendations to strengthen the oversight and enforcement mechanisms of the Public Service Commission to ensure public utility companies are held accountable and responsive to regulators and customers.

- Implement Community Focused Plans: Counties affected by Sandy, Irene and Lee eligible

Education

The 2013-14 Executive Budget reflects a continued commitment to supporting improved student outcomes, sustainable cost growth, and equitable distribution of aid. It builds on the foundational work of prior years, and begins the implementation of key recommendations of the New NY Education Reform Commission. The total year-to-year increase in aid for education is \$889 million, or 4.4 percent.

- Full-Day Pre-kindergarten Program: The Executive Budget provides \$25 million to support a full-day pre-kindergarten program targeted toward higher need students in lower wealth school districts via a competitive process.

- Extended Learning Time: In order to provide increased learning opportunities, \$20 million will be prioritized to support high-quality extended school day or extended school year programs, with academically enriched programming. Schools that apply to participate in the program must agree to expand learning time by 25 percent. The grant will cover the full cost of expanding learning time for students.

- Community Schools: The Executive Budget supports an innovative program designed to transform schools into community hubs that integrate social, health and other services, as well as after-school programming to support students and their families.

- Reward High-Performing Teachers: The Executive Budget provides \$11 million to offer \$15,000 in annual stipends for four years to the most effective teachers, beginning with math and science teachers.

- Early College High School Programs: The Executive Budget provides \$4 million in new state funding, bringing the state's total investment in Early College High School programs to \$6

million, to improve college access and success.

- Bar Exam for Teachers: To ensure the best and brightest are teaching our children, the State Education Department will increase the standards for teacher certification to require passage of a “bar exam,” in addition to longer, more intensive and high-quality student-teaching experience in a school setting.

- Target School Aid Increases to High-Need School Districts: The Executive Budget provides a \$611 million increase in School Aid. High-need school districts will receive 75 percent of the 2013-14 allocated increase and 69 percent of total School Aid. The aid includes \$272 million for general support, \$289 million for increased reimbursement in expense-based aid programs, and \$50 million for a new round of competitive grants.

- Provide Fiscal Stabilization Funding for School Districts in the 2013-14 School Year: In recognition of extraordinary increases in fixed costs, including pension contributions, the Executive Budget provides \$203 million in one-time financial relief to school districts.

- Maintain the Commitment to Teacher Evaluation Reform: The Executive Budget will continue to link increases in State Aid to compliance with the teacher evaluation system to ensure implementation and accountability for improving student performance. School districts will not be eligible for aid increases unless they have fully implemented the teacher evaluation process for the 2013-14 school year by September 1, 2013.

Program Overview

Environment and Energy: The Executive Budget increases support for critical environmental protection and energy programs. The Environmental Protection Fund (EPF) will be increased by \$19 million to \$153 million. The Cleaner, Greener Communities program, administered by NYSERDA to fund energy efficiency and renewable energy projects, will be supplemented by

a net \$10 million in new state funding. To address a backlog of environmental capital needs, the Budget includes \$135 million of new funding for DEC, OPRHP, the Department of Agriculture and Markets, and the Olympic Regional Development Authority under the NY Works program. In addition, the Budget provides the financial platform to implement the Moreland Commission recommendations that will strengthen the oversight and enforcement mechanisms of the Public Service Commission.

Health Care: The Executive Budget maintains the Medicaid spending cap enacted in 2011-12 and recommends funding consistent with its provisions. The Budget achieves \$125.3 million in savings from public health and aging programs through program reforms, enterprise-wide efficiency measures, and general cost-control efforts in public health and aging programs. In addition, the Executive Budget continues the state's implementation of the New York Health Benefit Exchange that will serve as a centralized marketplace for the purchase and sale of health insurance, in accordance with the Affordable Care Act.

Higher Education: To ensure New York's students are prepared for the jobs of today and tomorrow, the Executive Budget changes the approach to funding community college workforce and vocational programs. Instead of funding based solely on enrollment, in order to receive State support for these programs, community colleges will be expected to partner with local employers and the Regional Economic Development Councils to identify job training needs. In addition, the Budget provides new funding to community colleges based on performance in measures of student success, including job placement.

Human Services: The Executive Budget provides core supportive services for needy populations and expands upon the 2012-13 Close to Home initiative for youth from outside of New York City to be placed in facilities closer to their home communities. The Executive Budget authorizes the state to undertake up to \$100 million over the next five years for "Pay for Success" initiatives, also known as Social Impact Bonds. The program will attract private

funding for preventative programming with repayment to investors made only if performance standards are achieved and savings exceed program costs.

Mental Hygiene: Proposed actions for the Mental Hygiene agencies include reforming and restructuring state and local programs and administrative practices, establishing regional centers of excellence for state-operated inpatient psychiatric facilities, enhancing community mental health services, utilizing less costly and more effective in-state community residences, placing aggressive cost controls on agency operations, and maximizing payments from third-party payers. The Executive Budget invests \$10 million to ensure that individuals receiving court-ordered services and those being discharged from State psychiatric hospitals have access to services in the community to ensure continuity of care.

Public Safety: The Executive Budget helps to implement the NY SAFE Act, including creating a database for gun permits to allow the state to identify those with a firearms license who no longer legally qualify to possess a firearm. The Budget proposes that an existing \$11.4 million in funding for Alternatives to Incarceration be restructured as a competitive grant program targeting the highest risk offenders. The Budget includes legislation to reform the traffic adjudication process will help improve public safety and help reduce the loss of \$58 million annually in state revenue that is caused by the existing process.

Revenue Action and Tax Reform: There are no new taxes or fees in the Executive Budget. The Budget proposes to strengthen the state's already robust tax enforcement efforts to ensure all individuals pay their fair share. These provisions, as well as the extension of existing revenue sources, would generate an additional \$403 million in collections on an All Funds basis.

Transportation: The Executive Budget includes \$300 million of new transportation capital funding under the NY Works program. In addition, the Budget provides operating support

totaling \$4.7 billion to mass transit systems. The MTA will receive over \$4.2 billion, an increase of more than \$358 million from 2012-13, and other transit systems will receive over \$454 million, which reflects an increase of \$23.5 million. The Budget includes \$307 million in General Fund support for the MTA to fully offset the revenue impact of the reform of the MTA payroll tax that the Governor signed into law in 2011. The Executive Budget includes approximately \$85 million in funding assistance for the Thruway Authority, including the state takeover of costs of the Division of State Police Troop T, that helped eliminate the need for a substantial commercial toll increase.