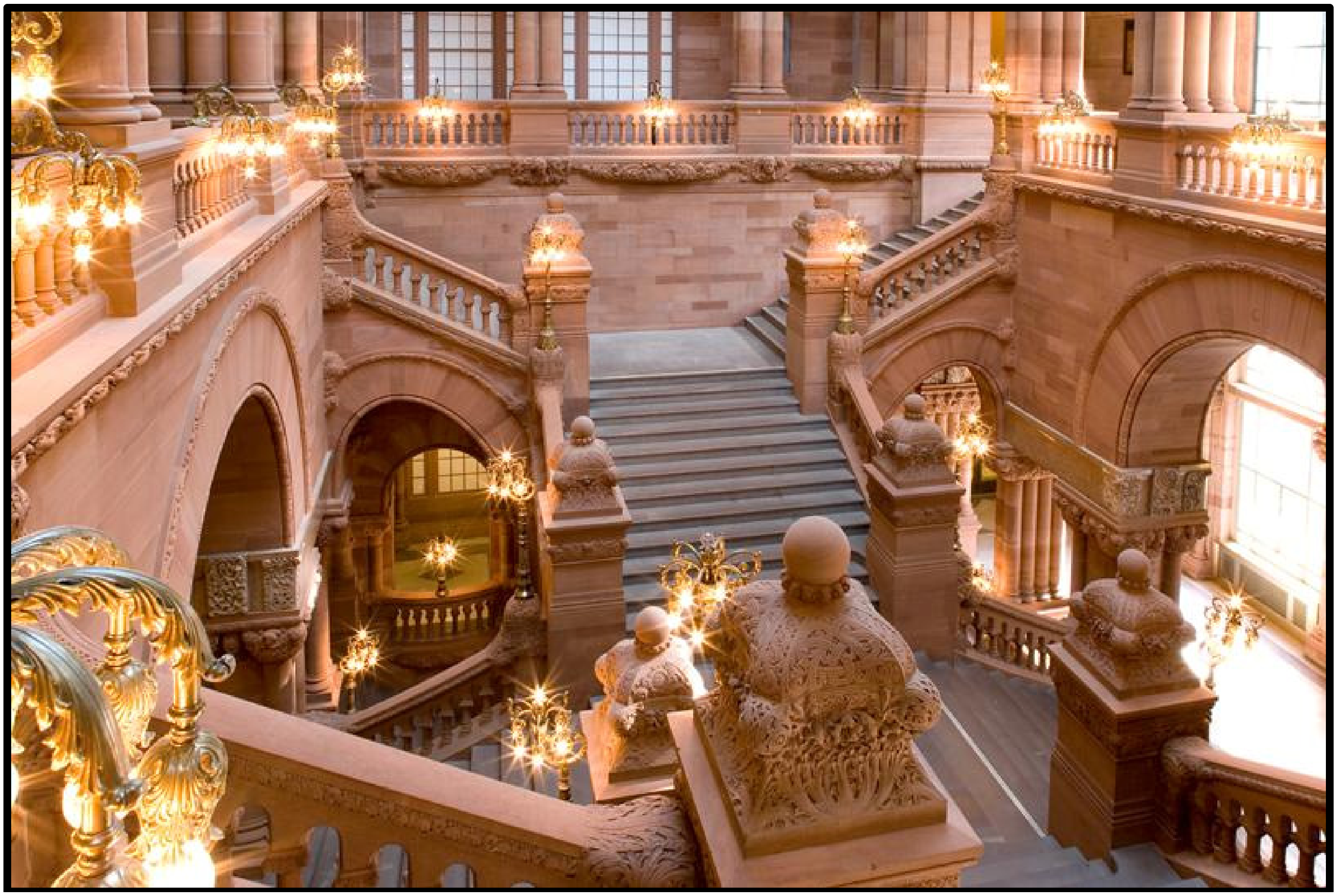
New York State Senate Majority Coalition

# Finance / Counsel Staff Analysis of the 2013-14 Executive Budget

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January 28, 2013

Dear Senators:

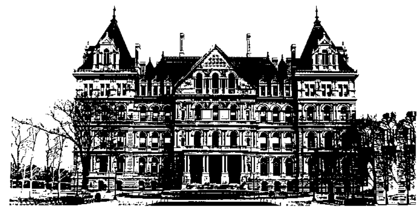
Please find attached the "Staff Analysis of the SFY 2013-14 Executive Budget." It is intended to assist the members of the Finance Committee and the Senate as a whole, in their deliberations. We hope that our readers find it useful.

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

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

Sincerely,

John A. DeFrancisco



# STAFF ANALYSIS OF THE SFY 2013-14 EXECUTIVE BUDGET

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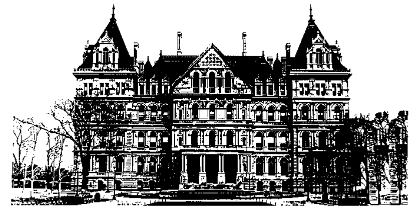


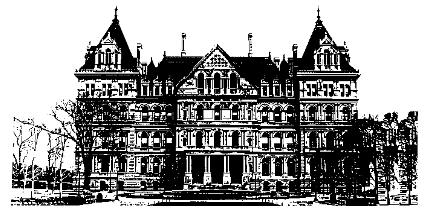
## SECTION ONE: HIGHLIGHTS OF THE SFY 2013-14 BUDGET



## SECTION TWO: SENATE ISSUES IN FOCUS



## SECTION THREE: ARTICLE VII BILLS



# SECTION ONE

## HIGHLIGHTS OF THE EXECUTIVE BUDGET

## OVERVIEW

The Executive Budget once again continues to utilize spending restraints to reduce long term structural deficits and includes initiatives focused on job creation through investments in infrastructure, property tax reduction and programmatic reform.

This year's Executive Budget does however utilize financing avenues, including reserve fund sweeps; public authority fund transfers; and the continuance of expiring taxes and fees, to fund new spending rather than provide further broad based taxpayer relief to stimulate job growth.

The Executive Budget also includes large lump sum appropriations of new federal funds and capital spending for approval by the Legislature without the necessary project details required for a due diligence review.

The Executive Budget revenue outlook continues below-trend revenue growth rates associated with the nation's struggle to rebound from the worst recession since the 1930's. However, New York's economy has exhibited broad based growth. While the impact of Superstorm Sandy has taken a toll, it will be important to apply the most up to date economic forecast to the completion of the Executive Budget to ensure possible increased revenues are directed to taxpayer relief rather than a reserve build-up for new spending.

In addition to the spending programs the Executive Budget also proposes "reforms" to unemployment insurance, and workers' compensation benefits. Significantly, major employee benefit enhancements are proposed including:

- Raising the minimum wage by $1.50 or 21 percent from $7.25 to $8.75 per hour;
- Increasing the minimum workers' compensation benefit by 50 percent from $100 to $150 per week;
- Increasing both the minimum unemployment insurance benefit by $35 or 54 percent from $65 to $100; and,
- Increasing the maximum weekly unemployment benefit from $405 to $420 and providing increases every year following until 2026, at which time the maximum benefit will be 50 percent of the average weekly wage, up from the current 34 percent.

## FINANCIAL PLAN

The Executive Budget financial plan closes the SFY 2013-14 budget gap and reduces the State's structural deficit. Additionally, the Executive Budget neutralizes increased spending with offsetting spending controls and other resource actions.

Proposed All Funds spending (excluding Extraordinary Federal Aid for Superstorm Sandy and the Affordable care Act) totals $136.5 billion, an increase of $2.5 billion or 1.9 percent. Including Extraordinary Federal Aid brings the total All Funds SFY 2013-14 spending level to $142.6 billion, an increase of $7.1 billion or 5.3 percent.

| SFY 2013-14 ALL FUNDS SPENDING (Billions) | | | | |
|---|---|---|---|---|
| | 2013 | 2014 | Change | Percent |
| **All Funds w/o Extraordinary Federal Aid** | **$134** | **$136.5** | **$2.5** | **1.9%** |
| **All Funds w Extraordinary Federal Aid )** | $135.5 | $142.6 | $7.1 | 5.3% |

Proposed State Operating Funds spending totals $90.8 billion, an increase of $1.4 billion or 1.6 percent.

| SFY 2013-14 STATE OPERATING FUNDS SPENDING (Billions) | | | |
|---|---|---|---|
| **2013** | **2014** | **Change** | **Percent** |
| **$89.4** | **$90.8** | **$1.4** | **1.6** |

## BUDGET GAP CLOSING PLAN

The projected budget gap for SFY 2013-14 is $1.35 billion. The structural deficit or cumulative gap amounts over the next three years total $14.8 billion. The Executive's Budget closes the $1.35 billion gap and reduces the gap over the next three years to $10 billion. Approximately $974 million or 72 percent of the gap is closed through spending controls. Nearly all of the remaining gap $331 million is closed with revenue increases in the form of extenders of expiring taxes.

| GENERAL FUND BUDGET GAP CLOSING PLAN (millions of dollars) | | | | |
|---|---|---|---|---|
| **Surplus/Gap** | | | | |
| **Before Actions** | **(1,352)** | **(3,979)** | **(5,201)** | **(5,663)** |
| **Acter Actions** | **0** | **(1,953)** | **(3,559)** | **(4,464)** |

The Executive SFY 2013-14 Gap Closing Plan is as follows:

| SFY 2013-14 Budget Gap | |
|---|---|
| **Millions of Dollars** | |
| **Spending Reductions** | |
| Agency Operations | $ 434 |
| Local Assistance | $ 412 |
| Debt Management | $ 128 |
| **Total Spending Reductions** | **$ 974** |
| Extenders | $ 331 |
| Other Resources | $ 566 |
| Proposed Investments | $ (519) |
| **Total Revenue/Other** | **$ 378** |
| **Total Gap Closing Plan** | **$ 1,352** |

The Executive's Budget funds other investments of $519 million in SFY 2013-14 and $950 million over the next three years.

## RECEIPTS

State Funds receipts in the Executive's Budget are projected to increase by $2.4 billion or 2.6 percent, while All Funds receipts are projected to increase by $7.6 billion or 5.7 percent. All Funds receipt increases reflect the impact of Extraordinary Federal Aid for Super Storm Sandy and also from new federal spending to support the Affordable Health Care Act.

The Executive Budget includes revenue extender actions including a renewal of the "Temporary State Energy and Utility Service Conservation Assessment" (18-a charge) that is currently scheduled to expire on March 31, 2014 for another five State Fiscal Years, maintaining a $510 million a year tax surcharge on the State's utility ratepayers.; the limit on the deduction of charitable contributions by high income taxpayers; the Monticello Video Lottery Terminal rates; tax rates for Account Wagering; the MTA business tax surcharge; and the waste tire fee.

## RESERVES

The Executive Budget projects a SFY 2013-14 General Fund closing balance of $1.6 billion, an increase of $167 million over the projected closing balance for SFY 2012-13. Included within the SFY 2013-14 reserve total is $1.3 billion for statutory reserves; $51 million for prior year labor agreements (2007-2011); and $263 million for debt reduction.

## HIGHLIGHTS OF MAJOR SPENDING AREAS

## MEDICAID

The Executive Budget proposes spending within the Medicaid spending cap for both SFY 2013-14 and SFY 2014-15. The SFY 2013-14 All Funds Medicaid spending, including the local share and mental hygiene agencies, is projected to be $57.6 billion, an increase of $3.6 billion, or 6.7 percent. However, it should be noted that Federal Affordable Health Care Act is driving increased spending. In order to stay below the two percent All Funds spending growth rate desired by the Executive, the overall All Funds spending growth rate in the 2013-14 Budget is "adjusted" to exclude the new Federal spending associated with the Act. It is unlikely that Federal Funds will continue to be available to support the spending associated with Act. This will likely result in increased spending to support that Act in the out-years.

The Executive proposes to extend provisions that cap the growth of the Department of Health (DOH) State Medicaid spending, and to extend the authority of the Commissioner to develop a Medicaid Savings Allocation Plan if State expenditures are projected to exceed the cap amount. Medicaid program growth benchmarks and funding levels were established on a two year basis beginning in SFY 2011-12. The Executive proposes to make SFY 2013-14 the first year of a new two-year Medicaid cycle.

The Executive proposes legislation to provide DOH with regulatory authority to revise the current Indigent Care Pool.

The Executive also proposes legislation that would implement the Phase III initiatives of the Medicaid Redesign Team (MRT). Proposals including the prohibition of spousal refusal and the elimination of prescriber prevails provisions for Medicaid Fee–For–Service (FFS) for all classes of drugs, and atypical antipsychotics for Medicaid managed care. All MRT Initiatives are estimated to be budget neutral.

## SCHOOL AID

The Executive provides $20.8 billion in General Support for Public Schools (GSPS) in SFY 2013-14, an increase of $610.3 million or 3.02 percent over SFY 2012-13. This increase provides an additional $280 million for expense based aids including Transportation Aid, BOCES, Special Education and Building Aid for the 2013-14 School Year. Funding of $321.6 million is provided to reduce the Gap Elimination Adjustment.

A second appropriation for fiscal stabilization grants of $203.5 million outside of GSPS which is subject to negotiation brings the **entire school aid package to $889 million over the 2013-14 School Year an increase of 4.4 percent significantly over the 3 percent school aid spending cap.**

The proposal also decreases high tax aid by $50.3 million and changes the distribution for the remaining $150 million. The Executive's competitive performance and management efficiency grants are funded at $100 million, a $50 million increase.

## HIGHER EDUCATION

The Executive Budget provides funding of $9.6 billion for the State University of New York (SUNY) and $3.7 billion for the City University of New York (CUNY). There are increases attributed to additional tuition revenue and fringe benefit costs for both SUNY and CUNY. The Tuition Assistance Program (TAP) also increases to reflect higher enrollment.

Decreases in capital funding for both SUNY and CUNY reflect the end of their respective five year capital programs with a reduction in new capital appropriations. The Executive proposes new five-year capital plans of $1.3 billion for SUNY and $690 million for CUNY. The Executive also decreases funding for the teaching hospitals in Brooklyn, Stony Brook and Syracuse. Funding for the five SUNY statutory colleges remains flat with no change in distribution.

Currently, state aid to SUNY and CUNY community colleges is allocated based on the enrollment of full time equivalent students (FTEs). The Executive proposes a Next Generation College Linkage Program making eligibility for state operating aid contingent upon the requirement that vocational programs at community colleges link with employers or prepare students for occupations that meet regional workforce needs. Base operating aid remains flat at SFY 2012-13 levels of $2,272 per FTE.

**TRANSPORTATION**

The SFY 2013-14 Executive Budget proposes $300 million in new transportation funding under New York Works, bringing this year's One-Year Capital Program to $3.7 billion. The Executive's SFY 2013-14 proposal anticipates that $100 million of these funds will be allocated through the Regional Economic Development Councils. Capital Plan project lists for SFY 2013-14 are not yet available.

An additional $100 million in new spending authorized in the SFY 2012-13 Enacted Budget is included.

Total transit operating assistance increases however, since the proposed increase in transit aid is due to the projected receipt of more dedicated transit revenues related to the Petroleum Business Tax (PBT), only the MTA and downstate systems are slated to see funding increases over SFY 2012-13.

Funding for the Consolidated Highway Improvement Program (CHIPS) and the Municipal Streets and Highways Program ("Marchiselli") would remain flat (as they have since SFY 2008-09).

The Thruway Authority's will see Total savings $84.2 million as result of cost state assistance and the state takeover of policing costs.

**PUBLIC PROTECTION**

The Executive proposes the closure of two women's correctional facilities: Bayview (Medium security) located in Manhattan and Beacon (Minimum security) located in Dutchess County. These closures would save $18 million and reduce the system capacity by e 430 beds from the . The Executive includes $35.9 million in SFY 2013-14 funding to implement the recently enacted New York Secure Ammunition and Firearms Enforcement Act of 2013 (NY SAFE ACT). Funding of $10 million is provided for three new State Police recruit classes.

**ECONOMIC DEVELOPMENT AND JOB CREATION**

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

In addition to this funding, **the Executive proposes capital funding of $720 million** for "transformative" economic development projects including $360 million allocated at the discretion of the regional economic development councils and $360 million allocated at the discretion of the New York Works task force.
The Executive further proposes $100 million in funding for the Buffalo Region Innovation Cluster; $56.1 million for Western New York football; $55 million for SUNY 2020; $50 million for CUNY 2020; and $165 million for

the New York Works Economic Development Fund.

The Executive budget proposes the creation of tax free innovation "hot spots" around the State to initiate collaboration between the State's higher education institutions and businesses. Approval of innovation "hot spots" would be carried out through regional economic development councils.

## AGRICULTURE/ENVIRONMENT/ HOUSING

The Executive Budget includes $450,000 in funding for the FreshConnect farmers' market program and $40,000 for a new Hops Institute. The Executive also proposes $2.5 million in New York Works capital for the State Fair. Most new legislative initiatives from SFY 2011-12 are eliminated, and funding for the for the Farm Viability Institute is reduced by $800,000.

The Executive proposes a $19 million increase for the Environmental Protection Fund (EPF) and provides the Department of Environmental Conservation (DEC) with an additional $40 million in New York Works capital funding. The Executive also proposes to make permanent the $2.50 per tire waste fee which is due to expire on December 31, 2013.

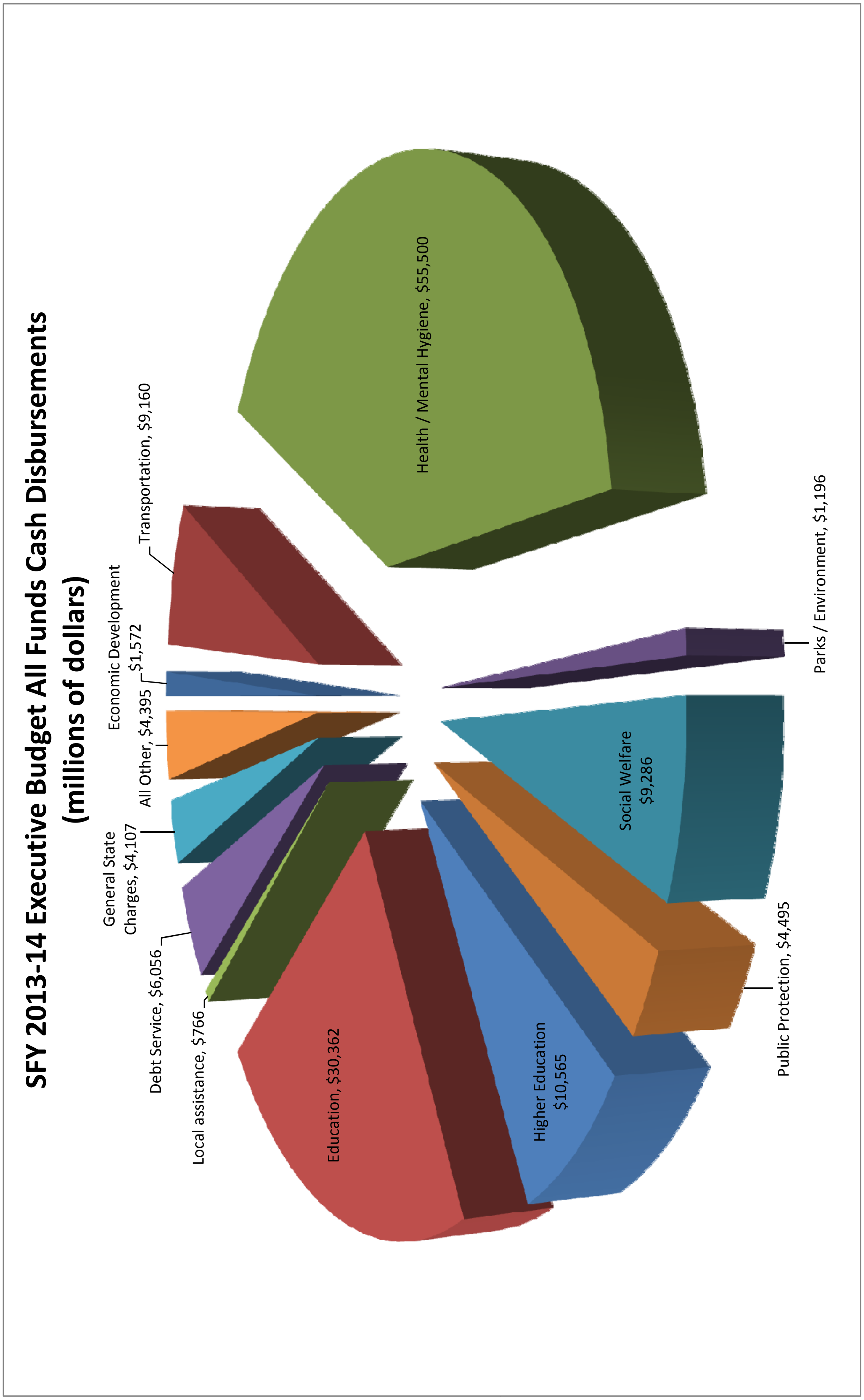
The Executive is also proposing legislation to implement recommendations of the Moreland Act Commission created after superstorm Sandy expanding Public Service Commission's powers.

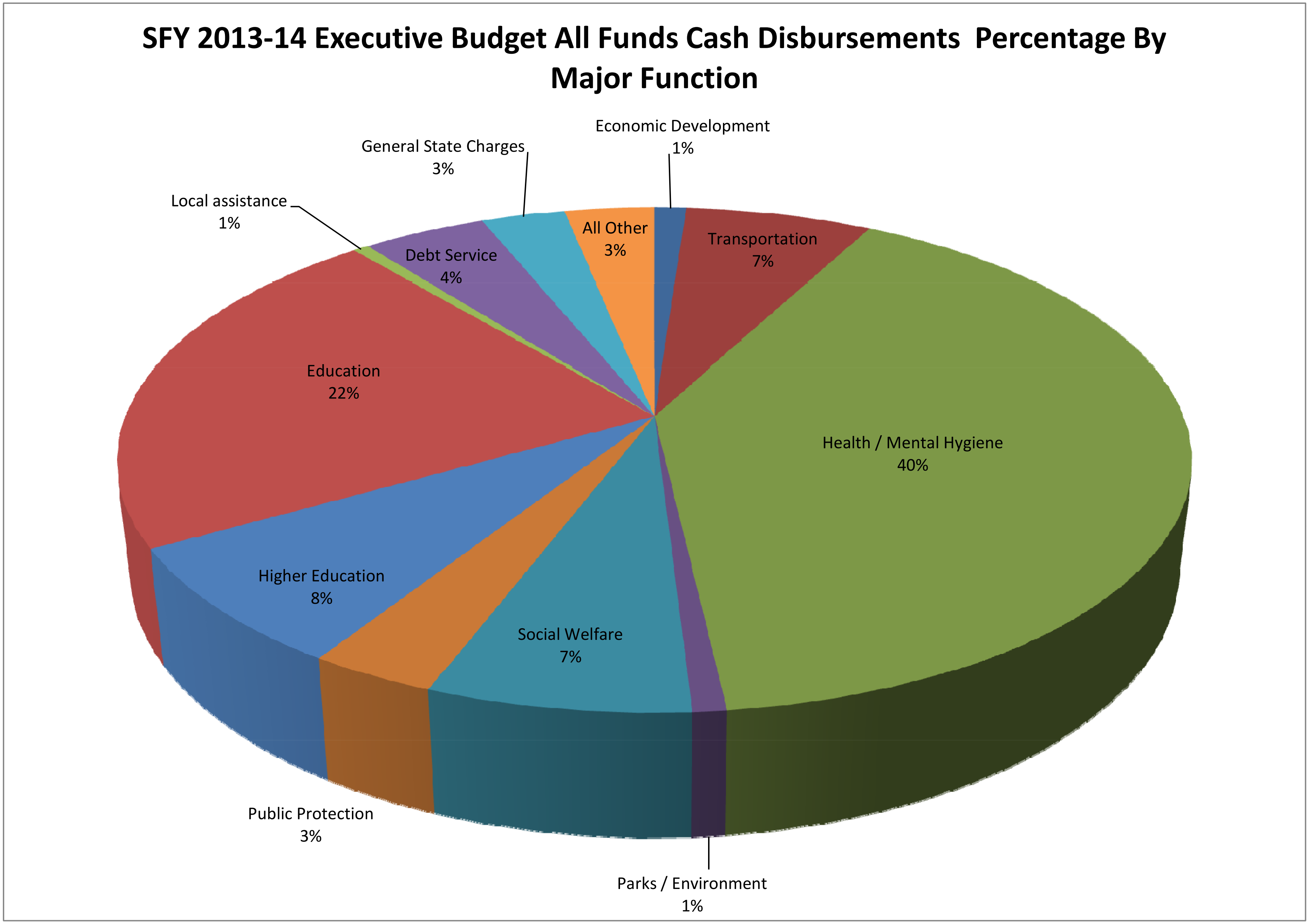
The Executive proposes to transfer the administration of the Homeless Housing Assistance Program (HHAP) from the Office of Temporary and Disability Assistance (OTDA) to the Division of Housing and Community Renewal (DHCR); consolidates the Neighborhood and Rural Preservation Programs into one Community Preservation Program; and funds these programs off-budget with $12 million from the Mortgage Insurance Fund (MIF). The Rural Rental Assistance Program is also proposed to be funded off-budget with $20.4 million, also from the MIF.

The Executive proposes a $1 billion (off-budget), five-year House NY plan impacting 14,300 affordable housing units. Over the five years, the proposal includes: $175 million in MIF spending and $531 million bond financing for the acquisition and revitalization of 45 Mitchell Lama affordable housing projects; $161 million in MIF and $70 million in DHCR Capital Bonding for the creation and preservation of 5,643 affordable housing units; and $100 million for Hurricane Sandy relief initiatives.

## STATE OPERATIONS / WORKFORCE

The total State workforce subject to direct Executive control decreases slightly from 119,728 in SFY 2012-13 to 119,601 in 2013-14. Actions at the Office of Children and Family Services will impact 575 positions eliminated which reflect the continued closing and downsizing of youth facilities and the transfer of staff to the Justice Center. Closure of two Department of Corrections and Community Supervision will impact 273 positions which will be absorbed within the system. These reductions are partially offset by new hires which will add 481 positions to the State workforce.


SFY 2013-14 Executive Budget All Funds Cash Disbursements
(millions of dollars)
Health / Mental Hygiene, $55,500
Transportation, $9,160
Economic Development
$1,572
All Other, $4,395
General State
Charges, $4,107
Debt Service, $6,056
Local assistance, $766
Education, $30,362
Higher Education
$10,565
Public Protection, $4,495
Social Welfare
$9,286
Parks / Environment, $1,196


SFY 2013-14 Executive Budget All Funds Cash Disbursements Percentage By Major Function
Economic Development 1%
General State Charges 3%
Local assistance 1%
Debt Service 4%
All Other 3%
Transportation 7%
Education 22%
Health / Mental Hygiene 40%
Higher Education 8%
Social Welfare 7%
Public Protection 3%
Parks / Environment 1%

| Executive Tax Increase and Revenue Action Proposals | | |
|---|---|---|
| (thousands of dollars) | | |
| | SFY 2013-14 | Full Annual Impact |
| Extend the High Income Charitable Contribution Deduction Limitation for Three Years | $70,000 | $140,000 |
| Extend 18-A Utility Assessment on Ratepayer | $236,000 | $472,000 |
| Extend MTA Business Tax Surcharge for Five Years (Directly to MTA)* | $0 | $0 |
| Royalty Income Tax | $0 | $28,000 |
| IDA Sales Tax Increase On Local Businesses | $7,000 | $13,000 |
| Make Waste Tire Fee Permanent | $9,000 | $24,000 |
| Extend Monticello VLT Rates for One Year | -$3,000 | $0 |
| Make Pari-Mutuel Rates Permanent | $0 | $0 |
| Create Five NY Taste NY Facility Licences, $500 licences | $0 | $0 |
| Department of State Expedited Handling Fee One Year Extender | $0 | $0 |
| Utility Enforcement Penalty | $0 | $0 |
| One Call Penalties | $190 | $190 |
| Eliminate Square Footage Quick Draw Restrictions | $12,000 | $24,000 |
| Redirect Racing Purse Money Generated by VLTs | $2,000 | $2,000 |
| Reduce Vehicle and Traffic Violation Plea Bargaining | $16,000 | $25,000 |
| Expand the Cigarette and Tobacco Retailer Registration Clearance Process | $1,000 | $1,000 |
| Increase Civil Pentalty for Possessing Unstamped Cigarettes | $9,000 | $12,000 |
| Expand Refusal and Revocation of Sales Tax Certification of Authority | $1,000 | $1,000 |
| Suspend Delinquent Taxpayers Driver's Licenses | $26,000 | $6,000 |
| Warrantless Wage Garnishment | $10,000 | $10,000 |
| Make Tax Modernization Provision Permanent | $6,000 | $22,000 |
| Establish Statewide STAR Anti-Fraud Protection Program | $1,000 | $1,000 |
| Make Permanent the Gross Receipts Assessment on Nursing Homes | $600,000 | $600,000 |
| **Enforcement and Other Revenue Action Totals** | **$1,003,190** | **$1,381,190** |
| ***No State Financial Plan impact, will raise $957 million annually for the Metropolitan Transportation Authority (MTA)** | | |

## All Funds Cash Financial Plan

*SFY 2011-12 through SFY 2013-14*
*(millions of dollars)*

| | 11-12 Results* | 12-13 Current | Change | Percent | 13-14 Proposed | Change | Percent |
|---|---|---|---|---|---|---|---|
| **Opening fund balance** | **3,812** | **3,360** | **(452)** | **-11.86%** | **3,116** | **(244)** | **-7.26%** |
| | | | | | | | |
| **Receipts** | | | | | | | |
| Taxes | 64,297 | 65,695 | 1,398 | 2.17% | 69,225 | 3,530 | 5.37% |
| Miscellaneous receipts | 23,837 | 25,000 | 1,163 | 4.88% | 23,880 | (1,120) | -4.48% |
| Federal grants | 44,611 | 42,631 | (1,980) | -4.44% | 43,216 | 585 | 1.37% |
| **Total receipts** | **132,745** | **133,326** | **581** | **0.44%** | **136,321** | **2,995** | **2.25%** |
| | | | | | | | |
| **Disbursements** | | | | | | | |
| Grants to local governments | 96,481 | 95,397 | (1,084) | -1.12% | 97,377 | 1,980 | 2.08% |
| Departmental Operations: | | | | | | | |
| Personal Service | 12,680 | 13,220 | 540 | 4.26% | 13,029 | (191) | -1.44% |
| Non-Personal Service | 6,348 | 6,605 | 257 | 4.05% | 6,503 | (102) | -1.54% |
| General State charges | 6,855 | 6,866 | 11 | 0.16% | 7,398 | 532 | 7.75% |
| Debt service | 5,864 | 5,949 | 85 | 1.45% | 6,016 | 67 | 1.13% |
| Capital projects | 5,276 | 5,915 | 639 | 12.11% | 6,129 | 214 | 3.62% |
| **Total disbursements** | **133,504** | **133,952** | **448** | **0.34%** | **136,452** | **2,500** | **1.87%** |
| | | | | | | | |
| **Net other financing sources (uses)** | 307 | 382 | | | 250 | | |
| | | | | | | | |
| **Excess (Deficiency) of Receipts and Other Financing Sources Over Disbursements and Other Financing Uses** | (452) | -244 | | | 119 | | |
| | | | | | | | |
| **Closing Fund Balance** | **3,360** | **3,116** | **(244)** | **-7.26%** | **3,235** | **119** | **3.82%** |

* SFY 2011-12 data derived from the SFY 2013-14 Executive Budget, T-18.

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

The SFY 2013-14 Executive Budget projects an All Funds spending increase of $3.1 billion or 2.3 percent on a current services basis (before Executive Budget actions) and $2.5 billion or 1.9 percent inclusive of Executive Budget actions.

**All Funds and Federal Operating receipts and spending exclude Federal disaster aid for Superstorm Sandy estimated at $1.5 billion in SFY 2012-13 and $5.1 billion in SFY 2013-14, and additional Federal aid under the Affordable Care Act estimated at $1.0 billion in SFY 2013-14.**

## State Funds Cash Financial Plan

*SFY 2011-12 through SFY 2013-14*
*(millions of dollars)*

| | 11-12 Results* | 12-13 Current | Change | Percent | 13-14 Proposed | Change | Percent |
|---|---|---|---|---|---|---|---|
| **Opening fund balance** | **3,907** | **3,559** | **(348)** | **-8.91%** | **3,312** | **(247)** | **-6.94%** |
| **Receipts** | | | | | | | |
| Taxes | 64,297 | 65,695 | 1,398 | 2.17% | 69,225 | 3,530 | 5.37% |
| Miscellaneous receipts | 23,669 | 24,814 | 1,145 | 4.84% | 23,694 | (1,120) | -4.51% |
| Federal grants | 145 | 145 | - | 0.00% | 87 | (58) | -40.00% |
| **Total receipts** | **88,111** | **90,654** | **2,543** | **2.89%** | **93,006** | **2,352** | **2.59%** |
| **Disbursements** | | | | | | | |
| Grants to local governments | 59,015 | 59,982 | 967 | 1.64% | 61,379 | 1,397 | 2.33% |
| Departmental Operations: | | | | | | | |
| Personal Service | 12,047 | 12,568 | 521 | 4.32% | 12,348 | (220) | -1.75% |
| Non-Personal Service | 5,404 | 5,642 | 238 | 4.40% | 5,368 | (274) | -4.86% |
| General State charges | 6,593 | 6,580 | (13) | -0.20% | 7,076 | 496 | 7.54% |
| Debt service | 5,864 | 5,949 | 85 | 1.45% | 6,016 | 67 | 0 |
| Capital projects | 4,270 | 4,880 | 610 | 14.29% | 5,011 | 131 | 0 |
| **Total disbursements** | **93,193** | **95,601** | **2,408** | **2.58%** | **97,198** | **1,597** | **1.67%** |
| **Net other financing sources (uses)** | 4,734 | 4,700 | | | 4,260 | | |
| **Excess (Deficiency) of Receipts and Other Financing Sources Over Disbursements and Other Financing Uses** | (348) | -247 | | | 68 | | |
| **Closing Fund Balance** | **3,559** | **3,312** | **(247)** | **-6.94%** | **3,380** | **68** | **2.05%** |

* SFY 2011-12 data derived from the SFY 2013-14 Executive Budget, T-52.

Notes

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

The SFY 2013-14 Executive Budget projects a State Funds spending increase of $2.3 billion or 2.4 percent on a current services basis (before Executive Budget actions) and $1.6 billion or 1.7 percent inclusive of Executive Budget actions.

# General Fund Cash Financial Plan

*SFY 2011-12 through SFY 2013-14*
*(millions of dollars)*

| | 11-12 Results | 12-13 Current | Change | Percent | 13-14 Proposed | Change | Percent |
|---|---|---|---|---|---|---|---|
| **Opening fund balance** | **1,376** | **1,787** | **411** | **29.87%** | **1,474** | **(313)** | **-17.52%** |
| | | | | | | | |
| **Receipts** | | | | | | | |
| Taxes | 41,754 | 42,953 | 1,199 | 2.87% | 45,361 | 2,408 | 5.61% |
| Miscellaneous receipts | 3,162 | 3,724 | 562 | 17.77% | 3,101 | (623) | -16.73% |
| Federal grants | 60 | 60 | - | 0.00% | 2 | (58) | -96.67% |
| Transfers From Other Funds | 11,924 | 12,104 | 180 | 1.51% | 12,709 | 605 | 5.00% |
| **Total receipts** | **56,900** | **58,841** | **1,941** | **3.41%** | **61,173** | **2,332** | **3.96%** |
| | | | | | | | |
| **Disbursements** | | | | | | | |
| Local Assistance Grants | 38,419 | 39,776 | 1,357 | 3.53% | 40,846 | 1,070 | 2.69% |
| Departmental Operations: | | | | | | | |
| Personal Service | 5,781 | 6,190 | 409 | 7.07% | 5,672 | (518) | -8.37% |
| Non-Personal Service | 1,713 | 1,904 | 191 | 11.15% | 1,783 | (121) | -6.36% |
| General State charges | 4,720 | 4,589 | (131) | -2.78% | 4,956 | 367 | 8.00% |
| Transfers To Other Funds | | | | | | | |
| Debt service | 1,516 | 1,460 | (56) | -3.69% | 1,518 | 58 | 3.97% |
| Capital projects | 798 | 868 | 70 | 8.77% | 1,256 | 388 | 44.70% |
| State Share Medicaid | 2,722 | 2,975 | 253 | 9.29% | 2,580 | (395) | -13.28% |
| SUNY Operations | 0 | 340 | 340 | n/a | 970 | 630 | 185.29% |
| Other | 820 | 1,052 | 232 | 28.29% | 1,425 | 373 | 35.46% |
| **Total disbursements** | **56,489** | **59,154** | **2,665** | **4.72%** | **61,006** | **1,852** | **3.13%** |
| | | | | | | | |
| **Excess (Deficiency) of Receipts over Disbursements and Reserves** | **411** | **(313)** | **(724)** | **-176.16%** | **167** | **480** | **-153.35%** |
| | | | | | | | |
| **Closing Fund Balance** | **1,787** | **1,474** | **(313)** | **-17.52%** | **1,641** | **167** | **11.33%** |

Notes

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

The Executive Budget projects SFY 2013-14 General Fund Receipts (including transfers) to increase by $2.3 billion or 3.96 percent from SFY 2012-13, this revenue growth is driven by a 5.6 percent increase in tax receipts.

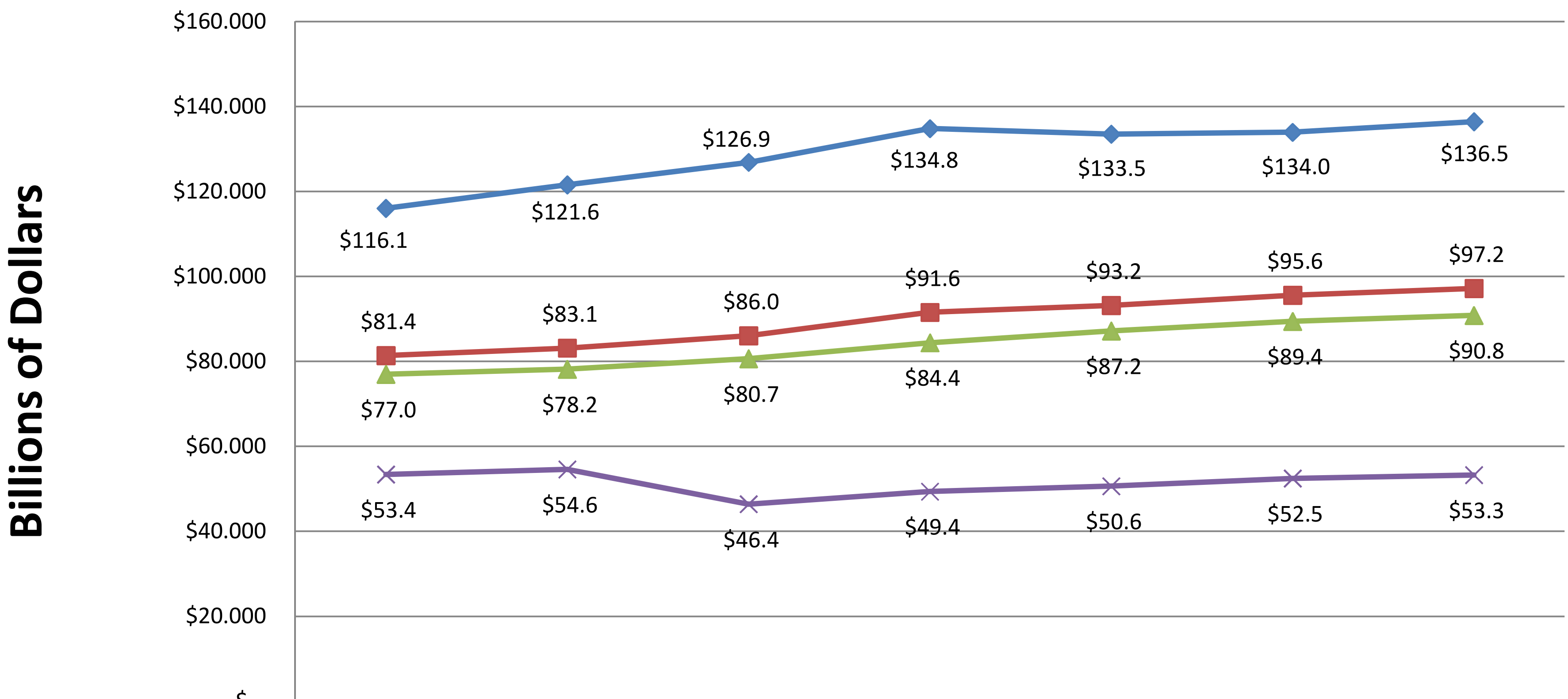
The Executive Budget projects SFY 2013-14 General Fund Disbursements (including transfers) to increase by $1.85 billion, an increase of 3.13 percent from SFY 2012-13.

The SFY 2013-14 General Fund closing balance increases by $167 million from $1.474 billion to $1.641 billion, or approximately 11.3 percent. This amount reflects a $250 million increase to the Debt Reduction Fund offset by reductions of $26 million and $57 million from prior year labor agreements and the Community Projects Fund respectively. The Community Projects Fund (007) is eliminated.

| Cash Disbursements By Function | All Funds | | State Funds | | State Operating Funds | | General Fund | |
|---|---|---|---|---|---|---|---|---|
| SFY 2013-14 Executive Budget | Thousands ($) | Percent | Thousands ($) | Percent | Thousands ($) | Percent | Thousands ($) | Percent |
| **Local Assistance** | | | | | | | | |
| Economic Development | 857,318 | 0.88% | 851,218 | 1.39% | 396,218 | 0.66% | 151,012 | 0.37% |
| Education, School aid | 23,258,194 | 23.89% | 20,316,994 | 33.10% | 20,316,994 | 33.85% | 17,173,194 | 42.04% |
| Education, STAR | 3,419,375 | 3.51% | 3,419,375 | 5.57% | 3,419,375 | 5.70% | 0 | 0.00% |
| Education, Other | 3,178,013 | 3.26% | 2,132,595 | 3.47% | 2,118,595 | 3.53% | 2,105,584 | 5.15% |
| Health, Other | 3,802,223 | 3.91% | 2,380,796 | 3.88% | 2,052,880 | 3.42% | 904,088 | 2.21% |
| Health, Medicaid (all components) | 43,895,523 | 45.10% | 18,725,700 | 30.51% | 18,725,700 | 31.20% | 13,323,283 | 32.62% |
| Higher Education | 2,805,629 | 2.88% | 2,797,688 | 4.56% | 2,787,688 | 4.64% | 2,755,272 | 6.75% |
| General Government | 68,627 | 0.07% | 12,320 | 0.02% | 12,320 | 0.02% | 11,781 | 0.03% |
| Local Government Assistance | 766,718 | 0.79% | 766,718 | 1.25% | 766,718 | 1.28% | 766,718 | 1.88% |
| Mental Hygiene (adjusted) | 1,535,485 | 1.58% | 1,354,976 | 2.21% | 1,241,963 | 2.07% | 4,898 | 0.01% |
| Parks and Environment | 192,382 | 0.20% | 66,642 | 0.11% | 11,642 | 0.02% | 6,792 | 0.02% |
| Public Protection | 657,039 | 0.68% | 348,235 | 0.57% | 348,235 | 0.58% | 153,108 | 0.37% |
| Social Welfare, Other (adjusted) | 3,875,580 | 3.98% | 1,758,296 | 2.86% | 1,647,721 | 2.74% | 1,645,869 | 4.03% |
| Social Welfare, Welfare Assistance | 3,699,603 | 3.80% | 1,286,673 | 2.10% | 1,286,673 | 2.14% | 1,286,673 | 3.15% |
| Transportation | 5,567,511 | 5.72% | 4,983,621 | 8.12% | 4,718,059 | 7.86% | 97,551 | 0.24% |
| All Other | (241,838) | -0.25% | 176,690 | 0.29% | 176,690 | 0.29% | 460,072 | 1.13% |
| **Total Local Assistance** | **97,337,382** | **100.00%** | **61,378,537** | **100.00%** | **60,027,471** | **100.00%** | **40,845,895** | **100.00%** |
| **Percent of Total Spending** | | **71.33%** | | **63.15%** | | **66.08%** | | **76.69%** |
| **State Operations** | | | | | | | | |
| Personal Services | 13,029,266 | 48.38% | 12,348,654 | 49.89% | 12,348,654 | 49.89% | 5,672,429 | 45.70% |
| Non Personal Services | 6,503,537 | 24.15% | 5,328,066 | 21.53% | 5,328,066 | 21.53% | 1,783,489 | 14.37% |
| General State Charges | 7,397,474 | 27.47% | 7,075,961 | 28.59% | 7,075,961 | 28.59% | 4,955,909 | 39.93% |
| **Total State Operations** | **26,930,277** | **100.00%** | **24,752,681** | **100.00%** | **24,752,681** | **100.00%** | **12,411,827** | **100.00%** |
| **Percent of Total Spending** | | **19.74%** | | **25.47%** | | **27.25%** | | **23.31%** |
| **Capital Projects** | **6,128,208** | **100.00%** | **5,010,568** | **100.00%** | **4,985** | **100.00%** | **n/a** | **n/a** |
| **Percent of Total Spending** | | **4.49%** | | **5.16%** | | **0.08%** | | |
| **Debt Service** | **6,056,133** | **100.00%** | **6,056,133** | **100.00%** | **6,056,133** | **100.00%** | **n/a** | **n/a** |
| **Percent of Total Spending** | | **4.44%** | | **6.23%** | | **6.67%** | | |
| **Total SFY 2013-14 Spending** | **136,452,000** | **100%** | **$97,197,919** | **100%** | **90,841,270** | **100%** | **53,257,722** | **100%** |

***Notes: General Fund totals do not include transfers to other funds. All Funds totals do not include approximately $5.1 billion in disaster aid for Superstorm Sandy and $1 billion in Federal aid offered under the Affordable Care Act (ACA).***

# Multi-Year Cash Disbursements Trend




| | 07-08 | 08-09 | 09-10 | 10-11 | 11-12 | 12-13 | 13-14 |
|---|---|---|---|---|---|---|---|
| All Funds | $116.058 | $121.571 | $126.877 | $134.825 | $133.504 | $133.952 | $136.452 |
| State Funds | $81.379 | $83.146 | $86.044 | $91.573 | $93.2 | $95.601 | $97.198 |
| State Operating Funds | $77.003 | $78.168 | $80.659 | $84.417 | $87.181 | $89.431 | $90.841 |
| General Fund | $53.387 | $54.607 | $46.415 | $49.366 | $50.633 | $52.458 | $53.258 |

## Workforce Impact Summary
## All Funds
## 2013-14 Through 2014-15

| | 2010-11 Actuals (03/31/11) | Starting Estimate (03/31/12) | Layoffs* | Attritions | New Fills | Fund Shifts | Mergers | Net Change | Ending Estimate (03/31/13) |
|---|---|---|---|---|---|---|---|---|---|
| **Minor Agencies** | | | | | | | | | |
| Adirondack Park Agency | 52 | 56 | 0 | (2) | 2 | 0 | 0 | 0 | 56 |
| Aging the | 119 | 114 | 0 | (14) | 14 | 0 | 0 | 0 | 114 |
| Agriculture and Markets | 508 | 495 | 0 | (37) | 30 | 0 | 0 | (7) | 488 |
| Alcoholic Beverage Control | 128 | 123 | 0 | (2) | 11 | 0 | 0 | 9 | 132 |
| Alcoholism and Substance Abuse Services | 842 | 822 | 0 | (39) | 30 | 0 | 0 | (9) | 813 |
| Arts | 29 | 28 | 0 | (1) | 1 | 0 | 0 | 0 | 28 |
| Banking Department | 530 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| Budget | 313 | 307 | 0 | (20) | 30 | 0 | 0 | 10 | 317 |
| Civil Service | 432 | 416 | 0 | (10) | 2 | 0 | 0 | (8) | 408 |
| Consumer Protection Board | 21 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| Correction, Commission of | 27 | 29 | 0 | 0 | 0 | 0 | 0 | 0 | 29 |
| Criminal Justice Services | 630 | 589 | 0 | (52) | 55 | 0 | 0 | 3 | 592 |
| Deferred Compensation Board | 4 | 4 | 0 | 0 | 0 | 0 | 0 | 0 | 4 |
| Economic Development | 133 | 143 | 0 | (3) | 18 | 0 | 0 | 15 | 158 |
| Elections | 59 | 58 | 0 | 0 | 0 | 0 | 0 | 0 | 58 |
| Employee Relations | 42 | 41 | 0 | 0 | 13 | 0 | 0 | 13 | 54 |
| Environmental Facilities Corporation | 76 | 88 | 0 | (98) | 10 | 0 | 0 | (88) | 0 |
| Executive Chamber | 124 | 136 | 0 | (24) | 24 | 0 | 0 | 0 | 136 |
| Financial Control Board | 14 | 14 | 0 | 0 | 0 | 0 | 0 | 0 | 14 |
| Higher Education Services Corporation, New York | 502 | 495 | 0 | (25) | 25 | 0 | 0 | 0 | 495 |
| Homeland Security and Emergency Services | 383 | 427 | 0 | (20) | 35 | 0 | 0 | 15 | 442 |
| Housing and Community Renewal | 749 | 745 | 0 | (68) | 82 | 0 | 0 | 14 | 759 |
| Hudson River Valley Greenway Communities | 1 | 1 | 0 | 0 | 0 | 0 | 0 | 0 | 1 |
| Human Rights | 194 | 188 | (3) | (7) | 0 | 0 | 0 | (10) | 178 |
| Indigent Legal Services | 1 | 10 | 0 | 0 | 0 | 0 | 0 | 0 | 10 |
| Inspector General the | 59 | 62 | 0 | 0 | 3 | 0 | 0 | 3 | 65 |
| Insurance Department | 899 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| Interest on Lawyer Account | 8 | 8 | 0 | 0 | 0 | 0 | 0 | 0 | 8 |
| Judicial Commissions | 39 | 49 | 0 | 0 | 0 | 0 | 0 | 0 | 49 |
| Labor Management Committees | 77 | 79 | 0 | 0 | 0 | 0 | 0 | 0 | 79 |
| Lieutenant Governor | 4 | 7 | 0 | (1) | 1 | 0 | 0 | 0 | 7 |
| Lottery | 314 | 362 | 0 | (15) | 15 | 0 | 0 | 0 | 362 |
| Medicaid Inspector General | 606 | 558 | 0 | (52) | 0 | 0 | 0 | (52) | 506 |
| Military and Naval Affairs | 410 | 433 | 0 | (9) | 9 | 0 | 0 | 0 | 433 |
| Prevention of Domestic Violence | 25 | 26 | 0 | 0 | 0 | 0 | 0 | 0 | 26 |
| Public Employment Relations Board | 34 | 33 | 0 | 0 | 0 | 0 | 0 | 0 | 33 |
| Public Ethics, Joint Commission on | 45 | 45 | 0 | 0 | 0 | 0 | 0 | 0 | 45 |
| Public Service Department | 510 | 508 | 0 | (30) | 46 | 0 | 0 | 16 | 524 |
| Quality of Care and Advocacy for the Disabled | 92 | 99 | 0 | (1) | 5 | 0 | 0 | 4 | 103 |
| Racing and Wagering | 102 | 105 | 0 | (5) | 5 | 0 | 0 | 0 | 105 |
| Regulatory Reform, Governor's Office of | 10 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| State | 574 | 598 | 0 | (14) | 30 | 0 | 6 | 22 | 620 |
| Statewide Financial System | 88 | 136 | 0 | (17) | 26 | 0 | 0 | 9 | 145 |
| Statewide Wireless Network | 3 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| Tax Appeals | 25 | 26 | 0 | (1) | 1 | 0 | 0 | 0 | 26 |
| Technology | 587 | 571 | 0 | (14) | 40 | 0 | 0 | 26 | 597 |
| Veterans' Affairs | 96 | 91 | 0 | (5) | 8 | 0 | 0 | 3 | 94 |
| Victim Services | 78 | 75 | 0 | (2) | 5 | 0 | 0 | 3 | 78 |
| Welfare Inspector General | 5 | 7 | 0 | 0 | 0 | 0 | 0 | 0 | 7 |
| **Subtotal - Minor Agencies** | **10,603** | **9,207** | **(3)** | **(588)** | **576** | **0** | **6** | **(9)** | **9,198** |

# Workforce Impact Summary

## All Funds

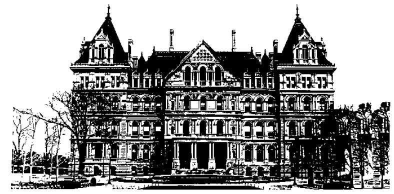
## FY 2012 Through FY 2014

| | FY 2012 Actuals (02/29/12) | Starting Estimate (03/31/13) | Other Placements | Attritions | New Fills | Fund Shifts | Mergers | Net Change | Ending Estimate (03/31/14) |
|---|---|---|---|---|---|---|---|---|---|
| **Major Agencies** | | | | | | | | | |
| Children and Family Services, Office of | 3,093 | 3,263 | (224) | (226) | 75 | 0 | (200) | (575) | 2,688 |
| Corrections and Community Supervision, Department of | 29,387 | 29,337 | 0 | (2,072) | 2,206 | 0 | 0 | 134 | 29,471 |
| Education Department, State | 2,590 | 2,664 | 0 | (208) | 309 | 0 | 0 | 101 | 2,765 |
| Environmental Conservation, Department of | 2,981 | 2,916 | 0 | (52) | 52 | 0 | 0 | 0 | 2,916 |
| Financial Services, Department of | 1,337 | 1,243 | 0 | (78) | 172 | 0 | 0 | 94 | 1,337 |
| General Services, Office of | 1,298 | 1,352 | 0 | (15) | 94 | 0 | 8 | 87 | 1,439 |
| Health, Department of | 4,761 | 4,635 | 0 | (1,097) | 1,486 | 0 | (4) | 385 | 5,020 |
| Information Technology Services, Office of | 537 | 3,835 | 0 | 0 | 55 | 0 | 0 | 55 | 3,890 |
| Labor, Department of | 3,717 | 3,621 | 0 | (308) | 299 | 0 | 0 | (9) | 3,612 |
| Mental Health, Office of | 14,822 | 14,453 | (384) | (1,087) | 1,598 | 0 | 0 | 127 | 14,580 |
| Motor Vehicles, Department of | 2,378 | 2,219 | 0 | (73) | 69 | 0 | 0 | (4) | 2,215 |
| Parks, Recreation and Historic Preservation, Office of | 1,735 | 1,719 | 0 | (52) | 52 | 0 | 0 | 0 | 1,719 |
| People with Developmental Disabilities, Office for | 20,299 | 19,834 | 0 | (1,832) | 586 | 0 | (3) | (1,249) | 18,585 |
| State Police, Division of | 5,187 | 5,232 | 0 | (273) | 449 | 0 | 0 | 176 | 5,408 |
| Taxation and Finance, Department of | 4,910 | 4,175 | 0 | (86) | 287 | 0 | 3 | 204 | 4,379 |
| Temporary and Disability Assistance, Office of | 2,039 | 1,860 | 0 | (180) | 221 | 0 | (11) | 30 | 1,890 |
| Transportation, Department of | 8,974 | 8,359 | 0 | (293) | 271 | 0 | 0 | (22) | 8,337 |
| Workers' Compensation Board | 1,306 | 1,195 | 0 | (15) | 41 | 0 | (1) | 25 | 1,220 |
| **Subtotal - Major Agencies** | **111,351** | **111,912** | **(608)** | **(7,947)** | **8,322** | **0** | **(208)** | **(441)** | **111,471** |
| **Minor Agencies** | **8,228** | **7,816** | **0** | **(309)** | **415** | **0** | **208** | **314** | **8,130** |
| **Subtotal - Subject to Direct Executive Control** | **119,579** | **119,728** | **(608)** | **(8,256)** | **8,737** | **0** | **0** | **(127)** | **119,601** |
| **University Systems** | | | | | | | | | |
| City University of New York | 12,961 | 13,024 | 0 | 0 | 0 | 0 | 0 | 0 | 13,024 |
| State University Construction Fund | 151 | 152 | 0 | 0 | 0 | 0 | 0 | 0 | 152 |
| State University of New York | 42,800 | 43,249 | 0 | 0 | 0 | 0 | 0 | 0 | 43,249 |
| **Subtotal - University Systems** | **55,912** | **56,425** | **0** | **0** | **0** | **0** | **0** | **0** | **56,425** |
| **Independently Elected Agencies** | | | | | | | | | |
| Audit and Control, Department of | 2,410 | 2,614 | 0 | 0 | 0 | 0 | 0 | 0 | 2,614 |
| Law, Department of | 1,697 | 1,798 | 0 | 0 | 0 | 0 | 0 | 0 | 1,798 |
| **Subtotal - Independently Elected Agencies** | **4,107** | **4,412** | **0** | **0** | **0** | **0** | **0** | **0** | **4,412** |
| **Grand Total** | **179,598** | **180,565** | **(608)** | **(8,256)** | **8,737** | **0** | **0** | **(127)** | **180,438** |

# Workforce Impact Summary
**All Funds**
**FY 2012 Through FY 2014**

| | FY 2012 Actuals (02/29/12) | Starting Estimate (03/31/13) | Other Placements | Attritions | New Fills | Fund Shifts | Mergers | Net Change | Ending Estimate (03/31/14) |
|---|---|---|---|---|---|---|---|---|---|
| **Minor Agencies** | | | | | | | | | |
| Adirondack Park Agency | 55 | 54 | 0 | 0 | 0 | 0 | 0 | 0 | 54 |
| Aging, Office for the | 105 | 100 | 0 | (11) | 11 | 0 | 0 | 0 | 100 |
| Agriculture and Markets, Department of | 482 | 471 | 0 | (20) | 20 | 0 | 0 | 0 | 471 |
| Alcoholic Beverage Control, Division of | 116 | 127 | 0 | 0 | 0 | 0 | 0 | 0 | 127 |
| Alcoholism and Substance Abuse Services, Office of | 816 | 764 | 0 | (66) | 66 | 0 | 0 | 0 | 764 |
| Arts, Council on the | 27 | 28 | 0 | (4) | 4 | 0 | 0 | 0 | 28 |
| Budget, Division of the | 300 | 290 | 0 | (17) | 17 | 0 | 0 | 0 | 290 |
| Civil Service, Department of | 386 | 324 | 0 | 0 | 26 | 0 | 0 | 26 | 350 |
| Correction, Commission of | 28 | 29 | 0 | 0 | 0 | 0 | 0 | 0 | 29 |
| Criminal Justice Services, Division of | 583 | 423 | 0 | 0 | 20 | 0 | 0 | 20 | 443 |
| Deferred Compensation Board | 4 | 4 | 0 | 0 | 0 | 0 | 0 | 0 | 4 |
| Economic Development, Department of | 140 | 152 | 0 | (1) | 0 | 0 | 0 | (1) | 151 |
| Elections, State Board of | 56 | 58 | 0 | 0 | 0 | 0 | 0 | 0 | 58 |
| Employee Relations, Office of | 39 | 50 | 0 | 0 | 0 | 0 | 0 | 0 | 50 |
| Environmental Facilities Corporation | 78 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| Executive Chamber | 127 | 136 | 0 | (24) | 24 | 0 | 0 | 0 | 136 |
| Financial Control Board, New York State | 14 | 14 | 0 | 0 | 0 | 0 | 0 | 0 | 14 |
| Gaming Commission, New York State | 0 | 434 | 0 | 0 | 0 | 0 | 0 | 0 | 434 |
| Higher Education Services Corporation, New York State | 483 | 460 | 0 | (13) | 0 | 0 | 0 | (13) | 447 |
| Homeland Security and Emergency Services, Division of | 409 | 388 | 0 | (23) | 23 | 0 | (1) | (1) | 387 |
| Housing and Community Renewal, Division of | 723 | 688 | 0 | (45) | 40 | 0 | 9 | 4 | 692 |
| Hudson River Valley Greenway Communities Council | 1 | 1 | 0 | 0 | 0 | 0 | 0 | 0 | 1 |
| Human Rights, Division of | 187 | 168 | 0 | (10) | 6 | 0 | 0 | (4) | 164 |
| Indigent Legal Services, Office of | 4 | 10 | 0 | 0 | 0 | 0 | 0 | 0 | 10 |
| Inspector General, Office of the | 60 | 68 | 0 | 0 | 0 | 0 | 4 | 4 | 72 |
| Interest on Lawyer Account | 8 | 8 | 0 | 0 | 0 | 0 | 0 | 0 | 8 |
| Judicial Commissions | 48 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| Judicial Conduct, Commission on | 0 | 49 | 0 | 0 | 1 | 0 | 0 | 1 | 50 |
| Justice Center for the Protection of People with Special Needs | 0 | 0 | 0 | 0 | 0 | 0 | 280 | 280 | 280 |
| Labor Management Committees | 75 | 77 | 0 | 0 | 0 | 0 | 0 | 0 | 77 |
| Lieutenant Governor, Office of the | 5 | 7 | 0 | (1) | 1 | 0 | 0 | 0 | 7 |
| Lottery, Division of the | 318 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| Medicaid Inspector General, Office of the | 562 | 476 | 0 | (30) | 40 | 0 | 0 | 10 | 486 |
| Military and Naval Affairs, Division of | 397 | 426 | 0 | 0 | 0 | 0 | 0 | 0 | 426 |
| Prevention of Domestic Violence, Office for | 23 | 27 | 0 | (1) | 1 | 0 | 0 | 0 | 27 |
| Public Employment Relations Board | 32 | 33 | 0 | 0 | 0 | 0 | 0 | 0 | 33 |
| Public Ethics, Joint Commission on | 33 | 45 | 0 | 0 | 8 | 0 | 0 | 8 | 53 |
| Public Service Department | 461 | 496 | 0 | (24) | 24 | 0 | 0 | 0 | 496 |
| Quality of Care and Advocacy for Persons With Disabilities, Commission on | 80 | 80 | 0 | 0 | 0 | 0 | (80) | (80) | 0 |
| Racing and Wagering Board, State | 102 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| State, Department of | 568 | 537 | 0 | (19) | 49 | 0 | 0 | 30 | 567 |
| Statewide Financial System | 109 | 115 | 0 | 0 | 30 | 0 | 0 | 30 | 145 |
| Tax Appeals, Division of | 25 | 27 | 0 | 0 | 0 | 0 | 0 | 0 | 27 |
| Veterans' Affairs, Division of | 88 | 98 | 0 | 0 | 0 | 0 | 0 | 0 | 98 |
| Victim Services, Office of | 67 | 70 | 0 | 0 | 4 | 0 | 0 | 4 | 74 |
| Welfare Inspector General, Office of | 4 | 4 | 0 | 0 | 0 | 0 | (4) | (4) | 0 |
| **Subtotal - Minor Agencies** | **8,228** | **7,816** | **0** | **(309)** | **415** | **0** | **208** | **314** | **8,130** |

# Education Fact Sheet



The Executive Budget recommends $20.8 billion in General Support for Public Schools(GSPS) an increase of $610 million or 3.02 percent over current year funding.

- **School Aid:** This increase provides an additional $280 million for expense based aids. Funding of $321.55 million is provided to reduce the Gap Elimination Adjustment (GEA was the original formula in 2010-11 which reduced school aid by accounting for each districts wealth, student need, administrative efficiency and residential property tax burden). The proposal decreases high tax aid by $50.3 million and changes the distribution for the remaining $150 million. The Executive's competitive performance and management efficiency grants are funded at $100 million, a $50 million increase. Increases to categorical aid for homeless pupils program, incarcerated youth, and Native American education total $9.9 million.

- **Fiscal Stabilization Grants:** A second appropriation for fiscal stabilization grants of $203.47 million outside of GSPS with an unspecified distribution or allocation when combined with the GSPS increase of $610 million brings the entire school aid package to an $889 million increase for the 2013-14 school year.

- **High Tax Aid:** The Executive proposes to decrease high tax aid from $204.7 million to $154.74, million a $50.3 million decrease. The Executive proposal would redistribute the remaining $154.74 million through a new two tiered formula. A new two tiered save harmless provision is also created. These are based on wealth and will limit loss in high tax aid to either 30 percent or 50 percent of a districts prior year funding. The proposal would also freeze High Tax Aid at the newly calculated 2013-14 levels.

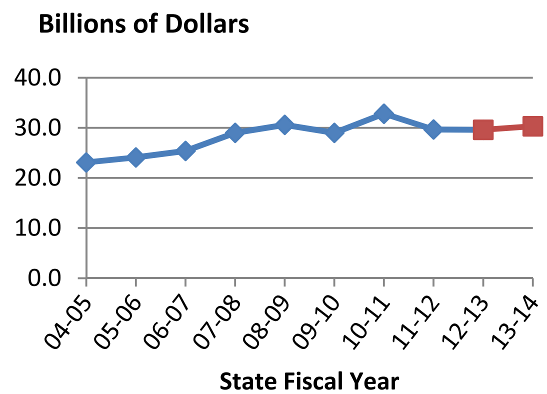
- **New Initiatives:** The Executive proposes to repurpose $71 million in competitive performance and management grants authorized in the 2012-13 Enacted budget into five new competitive programs for the 2013-14 school year. Programs include incentivizing districts to implement full day Pre-kindergarten, extending the school day and/or year, allowing schools to provide community services to families and students, and providing a $15,000 stipend to effective math and science teachers program. * Those districts which have not implemented an APPR plan are not eligible for the competitive program funding.

- **APPR Non-compliance Penalty:** Those districts which have not implemented a teacher evaluation plan by September 1, 2013 will not receive an aid increase for the 2013-14 school year and every year after in which they are non compliant. In addition under the Executive proposal districts that did not comply with the APPR deadline will not receive their 2012-13 school year increase in any future years.

- **Special Education Waiver:** The Executive proposes allowing school districts to apply for a waiver for State special education requirements which exceed Federal law. The waiver would require districts to provide notice ensuring parents are aware of all relevant changes and are allowed 60 days prior to the application to comment.

# EDUCATION

| All Funds Disbursements (Millions of Dollars) | Estimated SFY 12-13 | Projected SFY 13-14 |
|---|---|---|
| Cash | 29,611 | 30,320 |
| Annual Growth Rate | -0.2% | 2.4% |
| 5 Year Average Growth (Actual) | | 3.6% |




The SFY 2013-14 Executive Budget provides $20.8 billion in General Support for Public Schools (GSPS), an increase of $610.30 million or 3.02 percent, over SFY 2012-13. This increase provides an additional $280 million for expense based aids including Transportation Aid, BOCES, Special Education and Building Aid for the 2013-14 School Year. Funding of $321.55 million is provided to reduce the Gap Elimination Adjustment. The proposal decreases high tax aid by $50.3 million and changes the distribution for the remaining $150 million.

A second appropriation for fiscal stabilization grants of $203.47 million outside of GSPS which is subject to negotiation bring the **entire school aid package to $889 million over the 2013-14 school year.** The Executive's competitive performance and management efficiency grants are funded at $100 million a $50 million increase. Increases to categorical aid for homeless pupils program, incarcerated youth, and Native American education total $9.9 million.

**Fiscal Stabilization Grants:**

The Executive proposal includes an appropriation of $203.47 million for fiscal stabilization grants. The grants under the Executive proposal will be used to provide financial relief to school districts in recognition of extraordinary increases in fixed costs, including pension contributions. The Executive provides no mechanism for the distribution of the grants.

Executive School Aid Proposal

| Category | School Year 2012--2013 | School Year 2013-2014 | Change | % Change |
|---|---|---|---|---|
| Foundation Aid | $15,005.36 | $15,005.36 | 0 | 0.00% |
| Expense Based Aids | $6,144.14 | $6,424.47 | $280 | 4.50% |
| High Tax Aid | $204.77 | $154.74 | ($50.30) | -24.43% |
| Universal Pre-Kindergarten | $384.00 | $385.03 | $0.88 | 0.23% |
| Other Aid Categories/ Initiatives | $292.70 | $300.35 | $7.65 | 3.41% |
| Gap Elimination Adjustment | ($2,156.28) | ($1,834.73) | $321.55 | na |
| Performance grants | 50 | $100 | $50 | na |
| Total | $19,924.69 | $20,535.22 | $609.78 | 3% |

**State of the State Initiatives:**

The Executive proposes to repurpose $75 million in competitive performance and management grants authorized in the 2012-13 enacted budget into the following five competitive programs for the 2013-14 school year:

*Full Day Pre-Kindergarten:*
The Executive proposes repurposing $25 million to incentivize districts to implement full day Universal Pre Kindergarten programs. The additional funding will be awarded by application of a request for proposal (RFP) developed by the Commissioner and SED.

*School-wide Extended Learning:*
The Executive proposes repurposing $20 million to support extending the school day and/or the school year. The distribution of funding will be determined by application of a RFP developed by a panel comprised of the Commissioner, an agency head appointed by the Executive, and an expert in extended learning time appointed by the Executive with awards approved by the Director of the Budget. The Commissioner will award the grants to districts. The application will require a district or selected building within a district to increase the student academic calendar at least twenty five percent by extending either the school day, school year, or a combination or the two.

*Community Schools:*
The Executive proposes repurposing $15 million in competitive grants to create community hubs within schools providing academic, health, legal, nutrition, counseling, legal and/or other services to students and their families. The grants will be awarded through a RFP process developed by the State Council on Children and Family Services and approved by the Director of the Budget.

*Improved Science and Math Education:*
The Executive proposes repurposing $11 million in competitive grants to provide a $15,000 annual stipend to the most effective math and science teachers. Teachers will be chosen by districts and subject to a rigorous application process to be eligible for the stipends.

*Early College High School Programs:*
The Executive proposes repurposing $4 million in competitive grants to continue the Early College High school program.
* Those districts which have not implemented an APPR plan are not eligible for any of the above grants.

**High Tax Aid:** The Executive proposes to decrease high tax aid from $204.7 million to $154.74, million a $50.3 million decrease.

The Executive also proposes redistributing the remaining $154 million through a new two tiered formula. A greater portion of the aid will go to districts with lower wealth and higher property taxes. The new tiers revise factors used to qualify eligibility and the amounts received by districts. A new two tiered save harmless provision is also created. These are based on wealth and will limit a district loss in high tax aid to either 30 percent or 50 percent of a districts prior year funding.

The Executive also proposes freezing High Tax Aid at the newly calculated 2013-14 levels.

The following aid formulas represent present law funding:
**Building Aid:**
The Executive increases building aid by $69.22 million for a total of $2.78 billion.

**High Excess Cost Aid:**
High Excess Cost aid increases by $80 million.

**Private Excess Cost Aid:**
Private Excess Cost aid increases by $39 million.

**BOCES Aid:**
BOCES aid is increased $20.73 million for a total of $724 million.

**Transportation Aid:**
The Executive provides $1.72 billion for transportation aid, a $60.87 million increase.

**Universal Pre-k:**
The Executive proposes $385 million for Universal Pre-kindergarten a $880,000 increase from the current year for minor program changes.

**Supplemental Excess Cost Aid:**
The Executive maintains funding at $4.3 million for the 2013-14 school year.

**Academic Enhancement Achievement /Educational Improvement Grants:**
The Executive maintains funding at $8.32 million for the 2013-14 school year.

**Gap Elimination Adjustment (GEA):**
The Executive proposes $321.55 million in funding, for the 2013-14 school year to reduce the GEA to $1.8 billion. The aid restoration is calculated to take into consideration a district's extraordinary needs, enrollment, and wealth. The GEA is reduced from the original $2.8 billion cut in 2010-11.

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

**Private Schools for the Blind and Deaf :**
The Executive proposal reflects a $2.2 million or 2.2 percent reduction as the result of decreased debt service need.

The 2011-12 Enacted Budget revised the payment mechanism used by the Blind and Deaf schools for their ten month program. Historically the State had paid costs upfront, the revision required school districts to be responsible for payment in the first instance and reimbursed by the State. The Executive proposes extending this payment mechanism to summer school programing for the Blind and Deaf Schools.

**Nonpublic School Aid:**
This program is increased by $4.9 million to $128.5 million to reimburse non public schools for mandated services.

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

**Expanding Children's Education and Learning/ Excel:**
Excel provides school districts with grants to support school construction costs associated with increasing school capacity to decrease class size, improve energy efficiency and public health and safety. The program is funded at $181.76 million including $127.02 million available for New York City for the payment of EXCEL construction related debt service.

**Teachers of Tomorrow:**
The Executive maintains the prior year funding at $25 million and sets aside $1 million to be used as a matching grant for colleges and universities to support programs designed to recruit and train math and science teachers.

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

**New York State Center for School Safety:**

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

**Other Education Programs:**

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

Major budget actions include:

**Library Aid:**
The Executive Budget maintains funding at $81.6 million and continues funding for MTA mobility tax relief at $1.3 million. State funding for local library construction will also be maintained at $14 million.

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

**Capital Projects:**
The Executive Budget includes $3.4 million in new capital support for various minor rehabilitation projects to maintain safe operating conditions for SED's facilities.

**Office of Higher Education and Professions:**
The Executive proposes additional funding of $1.9 million for a total of $8.1 million for expenses related to tenured teacher hearings.

**Small Government Assistance to School Districts:**
The Executive Budget maintains funding for 2013-14 at $1.87 million for those districts impacted by assessment reductions resulting from a forest land management program.

**Nonpublic Transportation Aid:**
The Executive eliminates $3 million in non public school aid ending the program.

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

**School Tax Relief Program:**
The Executive proposes to increase the STAR program by $99.4 million or 2.99 percent. In addition the Executive proposes the following article VII amendments:

*Revocation of prior exemption:* Allows the Commissioner to revoke improperly received exemptions for a ten year look back period. Current law allows for a three year look back period. In addition tax payers will be required to pay a $500 processing fee if they improperly received a STAR exemption.

Changes the penalty for material misstatements as it relates to the STAR program to the greater of 20 percent or $100. Current law is an $100 penalty.

*Basic Exemption Registration Requirement:*
Establishes a new requirement for all owners of property who receive the basic STAR exemption to register with the Department of Taxation and Finance. If the Commissioner determines an otherwise basic Star eligible applicant has not registered he will direct the denial of the exemption. Every recipient of the basic STAR exemption ***must*** register with Tax and Finance or be denied the exemption.

**Article VII**

*APPR non compliance penalty*. Those districts which have not implemented a teacher evaluation plan by September 1, 2013 will not receive an aid increase for the 2013-14 school year and every year after in which they are non compliant. In addition under the Executive proposal districts that did not comply with the APPR deadline will not receive their 2012-13 school year increase in any future years. Those districts with expiring APPR plans will also be required to meet the September 1, 2013 deadline or lose 2013-14 aid. The State Education Department has estimated 90% of districts will need to renew their plan before September 1, 2013.

* Non compliant districts include:

- New York City-$240 million loss in aid
- Oysterponds
- Harrison
- Hamburg
- Fallsburg
- New York City
- Pine Plains

*Internal Audits*. Previously school districts with three hundred or less students were exempt from performing internal audits. The Executive is proposing allowing districts with 1,000 or fewer students to be exempt. Approximately 125 new districts would be eligible for the exemption.

*Special Education waiver*. The Executive proposes allowing school districts to apply for a waiver for those state mandated special education. requirements which exceed Federal law. The waiver would require districts to provide notice ensuring parents are aware of all relevant changes and are allowed 60 days prior to the application to comment.

Authorizes NYC to establish local tuition rates for approved special education programs through an RFP process where such rates cannot exceed tuition rates established by the Commissioner and the Division of the Budget.

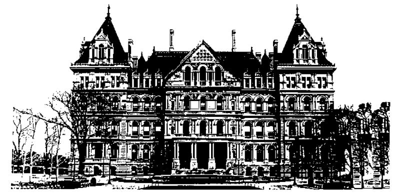
| General Support for Public Schools SFY 2013-14 (in millions) | | | | |
|---|---|---|---|---|
| **Formula Aids** | **2012-13** | **2013-14** | **Change** | **Percent Change** |
| Foundation Aid | $15,005.36 | $15,005.36 | $0.00 | 0.0 |
| Special Education – High Cost | $452.25 | $532.04 | $79.79 | 17.6 |
| Special Education – Private | $320.09 | $358.98 | $38.89 | 12.2 |
| Reorganization Operating Aid | $2.86 | $2.57 | ($0.29) | -10.1 |
| Textbook Aid | $179.05 | $181.34 | $2.29 | 1.3 |
| Computer Hardware Aid | $38.02 | $38.86 | $0.84 | 2.2 |
| Computer Software Aid | $45.73 | $46.69 | $0.96 | 2.1 |
| Library Materials Aid | $19.01 | $19.48 | $0.47 | 2.5 |
| BOCES Aid | $704.13 | $724.86 | $20.73 | 2.9 |
| Special Services Aid | $205.47 | $204.19 | ($1.28) | -0.6 |
| Transportation Aid | $1,661.62 | $1,722.49 | $60.87 | 3.7 |
| High Tax Aid | $204.77 | $154.74 | ($50.03) | -24.4 |
| Universal Pre-K | $384.15 | $385.03 | $0.88 | 0.2 |
| Academic Achievement Grant | $1.20 | $1.20 | $0.00 | 0.0 |
| Supp. Ed. Improvement Grant | $17.50 | $17.50 | $0.00 | 0.0 |
| Charter School Transition Aid | $34.61 | $33.47 | ($1.14) | -3.3 |
| Full Day Kindergarten | $7.27 | $13.83 | $6.56 | 90.2 |
| Academic Enhancement Aid | $8.32 | $8.32 | $0.00 | 0.0 |
| Supplemental Special Education Aid | $4.31 | $4.31 | $0.00 | 0.0 |
| Gap Elimination Adjustment (GEA) | ($2,156.28) | ($1,834.73) | $321.55 | Na |
| EXCEL (NYC) | $0.00 | $0.00 | $0.00 | 0.0 |
| Building Aid | $2,714.11 | $2,783.33 | $69.22 | 2.5 |
| **Formula Aid TOTAL** | **$19,853.55** | **$20,403.86** | **$550.31** | **2.77** |
| **Categorical Aids** | | | | |
| Teachers of Tomorrow | $25.00 | $25.00 | $0.00 | 0.0 |
| Teacher Mentor Intern | $2.00 | $2.00 | $0.00 | 0.0 |
| School Health Services | $13.84 | $13.84 | $0.00 | 0.0 |
| Roosevelt | $12.00 | $12.00 | $0.00 | 0.0 |
| Urban Suburban Transfer | $2.73 | $2.73 | $0.00 | 0.0 |
| EPE | $96.00 | $96.00 | $0.00 | 0.0 |
| Homeless Pupils | $18.23 | $21.23 | $3.00 | 16.5 |
| Incarcerated Youth | $20.50 | $21.00 | $0.50 | 2.4 |
| Bilingual Education | $12.50 | $12.50 | $0.00 | 0.0 |
| Education of OMH/OMR Pupils | $80.00 | $80.00 | $0.00 | 0.0 |
| Special Act School Districts | $2.70 | $2.70 | $0.00 | 0.0 |
| Chargebacks | ($39.80) | ($41.00) | ($1.20) | N/A |
| BOCES aid for Special Act | $0.70 | $0.70 | $0.00 | 0.0 |
| Learning Tech Grants | $3.29 | $3.29 | $0.00 | 0.0 |
| Native American Building | $5.00 | $5.00 | $0.00 | 0.0 |
| Native American Education | $37.61 | $45.30 | $7.69 | 20.45 |
| School Bus Driver Safety | $0.40 | $0.40 | $0.00 | 0.0 |
| Subtotal | $292.70 | $302.69 | $9.99 | 3.4 |
| **GSPS Total** | **$20,146.25** | **$20,706.55** | **$560.30** | **2.78** |
| Performance Grants | $50.00 | $100.00 | $50.00 | 100.0 |
| School Year Total | $ 20,196.25 | $ 20,806.55 | $ 610.30 | 3.0 |

## Education
## Proposed Disbursements - All Funds

(Millions of Dollars)

| Agency | Estimated 2012-13 | Proposed 2013-14 | Change Amount | Change Percent |
|---|---|---|---|---|
| School Aid SFY | 23,062 | 23,258 | 196 | 0.8% |
| STAR | 3,276 | 3,419 | 143 | 4.4% |
| Programs for the Disabled | 2,131 | 2,190 | 59 | 2.8% |
| All Other | 1,142 | 1,453 | 311 | 27.2% |
| **Totals:** | **29,611** | **30,320** | **709** | **2.4%** |

# Higher Education / Arts Fact Sheet

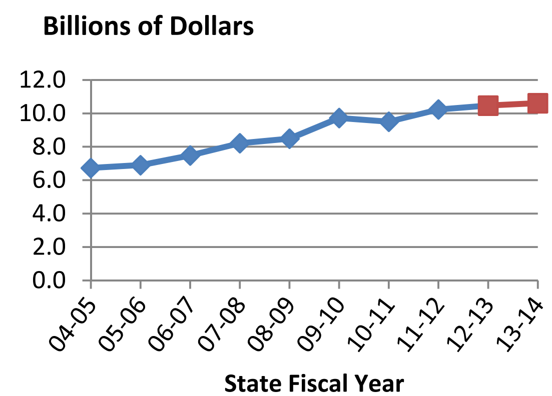


The Executive provides an appropriation decrease of $836.6 million for SFY 2013-14. This decrease is attributed to reductions in new capital funding for the State University of New York (SUNY) and City University of New York (CUNY) offset by a combination of increased tuition revenue and General Fund support. Major actions are as follows:

- SUNY Senior, State Operated and Statutory Colleges: General Fund support remains at $969 million; provides for a $106 million increase in additional tuition revenue;
- SUNY/CUNY Community College Base Aid: Net increase of $1.2 million; Aid per full-time equivalent (FTE) remains at $2,272; $5 million in performance incentive funding is included for community colleges that meet various measures of student success;
- CUNY Senior Colleges: General Fund support remains at $524.5 million; an additional $60.8 million increase in appropriation authority is provided for additional tuition revenue;
- Long Island Veteran's Home: $44.1 million in appropriation authority (No change);
- The Executive Budget includes $110 million in Challenge Grants for a third round of NY-SUNY 2020 grants ($55 million), as well as a new CUNY 2020 grants program ($55 million);
- The Executive Budget also includes Article VII language to create a new financing structure for the SUNY Residence Hall Program;
- The Executive makes no changes to the formula for TAP awards, funding TAP at $950.4 million ($19.8 million increase);
- An increase in arts and cultural grants funding of 2.4 percent, an additional $1 million, increasing funding from $41.7 million to $42.7 million.

# HIGHER EDUCATION

| All Funds Disbursements (Millions of Dollars) | Estimated SFY 12-13 | Projected SFY 13-14 |
|---|---|---|
| Cash | 10,467 | 10,608 |
| Annual Growth Rate | 2.3% | 1.3% |
| 5 Year Average Growth (Actual) | | 6.6% |




The SFY 2013-14 Executive Budget recommends All Funds disbursements of $10.6 billion for New York State public and private higher education programs, an increase of $142 million, or 1.4 percent above SFY 2012-13 levels. The funding increase is attributed to additional tuition revenue for the State University of New York (SUNY) and City University of New York (CUNY) ($166.8 million), increased General Fund support for CUNY fringe benefit costs ($34.8 million) and higher enrollment in the Tuition Assistance Program ($19.8 million), offset by reductions in capital disbursements. The budget reduces support for the teaching hospitals in Brooklyn, Stony Brook and Syracuse, from $87.8 million to $60 million, a reduction of $27.8 million.

## State University of New York (SUNY)

The Executive Budget recommends **$9.55 billion** in All Funds appropriations for SUNY, a decrease of $697.4 million, or 6.8 percent below SFY 2012-13 levels. The total consists of $2.95 billion in General Fund support (including fringe benefits), $6.35 billion from self-generated and federal funds, and $256.6 million in capital funds. The decrease is attributed to the end of the SUNY five-year capital plan, which corresponds with a reduction in new capital appropriations.

**Higher Education State Support**

| Category | 2012-13 (millions) | 2013-14 (millions) |
|---|---|---|
| SUNY Senior Colleges (excludes fringe benefits) | $2,307 | $2,413 |
| SUNY Statutory Colleges | $129 | $129 |
| SUNY Community Colleges | $457 | $448 |
| SUNY Hospital Subsidy | $88 | $60 |
| CUNY Senior Colleges (includes fringe benefits) | $2,057 | $2,152 |
| CUNY Community Colleges | $194 | $204 |
| Long Island Veterans' Home | $44 | $44 |
| Tuition Assistance Program | $931 | $950 |
| TOTAL | $6,207 | $6,400 |

Consistent with the provisions of NY-SUNY 2020, recommended levels of General Fund operating support (excluding fringe benefits) for SUNY senior and statutory colleges continue at SFY 2012-13 levels of $969 million. The Executive Budget also includes an additional $165.4 million for employee fringe benefits, or 12.1 percent above SFY 2012-13 levels.

State-Operated Senior Colleges

The Executive Budget appropriates $2.41 billion for the 29 state-operated campuses. This includes support from tuition and other revenues of $1.57 billion, an increase of $106 million above SFY 2012-13 levels. This additional spending authority is expected from the tuition increase authorized as part of the June 2011 NY-SUNY 2020 legislation.

Statutory Colleges

The Executive Budget recommends a total of $129.3 million in State support for the operations of the five statutory colleges at Alfred and Cornell Universities. This is identical to SFY 2012-13 levels with no change in the distribution of funding. The four statutory colleges at Cornell (Agriculture and Life Sciences, Human Ecology, Veterinary Medicine, and Industrial and Labor Relations) would receive $78.9 million.

In addition, the Executive recommends $42.1 million to support the land grant mission of Cornell University and $8.1 million for the College of Ceramics at Alfred University.

SUNY Hospitals

The Executive Budget proposes $2.91 billion for the operations of the three SUNY teaching hospitals at Brooklyn, Stony Brook and Syracuse, a decrease of $27.8 million, or 0.9 percent, below SFY 2012-13 levels. The General Fund subsidy used to support the three hospitals is reduced to $60 million, as $27.8 million in aid added by the Legislature in SFY 2012-13 is eliminated.

Community Colleges

SUNY's community colleges have three basic funding sources: State, local sponsor and student tuition. Currently, state aid is allocated based on the enrollment of full-time equivalent (FTE) students. The Executive Budget proposes a Next Generation College Linkage Program that would make two changes to this approach.

First, the Executive proposes making eligibility for state operating aid contingent on the requirement that vocational programs at community colleges either: 1) partner with one or more employers to train and employ students in a specific occupation, or 2) prepare students for an occupation that meets regional workforce needs based on data from the Department of Labor (DOL) or the region's economic development council (REDC). Should the program opt to work with the DOL or REDC, it would be required to have an advisory committee.

The Executive Budget also proposes language to create a Program Incentive Fund that would award up to $3 million in additional General Fund operating aid to community colleges based on various measures of student success.

Including these performance awards, the Executive Budget recommends a total of $448.2 million in General Fund State support for community colleges, a decrease of $8.8 million, or 1.9 percent, due to projected reductions in enrollment. Base operating aid remains the same as SFY 2012-13 levels of $2,272 per FTE. Funding for childcare centers is reduced by $653,000, to $1 million.

Capital

The SFY 2012-13 enacted budget marked the last year of the five–year capital plan. For SFY 2013-14, the Executive proposes a new $1.3 billion five–year capital plan. The first year of this plan includes $311.6 million in capital funding for SUNY, of which $55 million is allotted for a third round of NY-SUNY 2020 Challenge Grants. This round of grants will be open to all of the universities and colleges within the SUNY system. Projects will be selected by the Executive based on economic impact, advancement of academic goals, innovation and collaboration.

The Executive Budget proposes Article VII language to establish a new financing structure for the SUNY Residence Hall program. Currently, the program requires that all dorm rental revenue – which is used to support the operating and capital expenses of the program – be deposited into an account under the control and management of the State Treasury. The new financing mechanism would allow for revenues to be deposited in a fund under the control of the Commissioner of Taxation and Finance.

The Executive Budget also includes $143 million in new capital appropriations to assist in the completion of multi-phase projects at three of the four University Centers (Albany, Binghamton and Stony Brook). The University of Albany receives $88 million in appropriations to finance its Emerging Technologies and Entrepreneurship Complex (E-TEC), but will pay the debt service on this financing. Binghamton University would receive $25 million in appropriations to support the expenditure of donations and campus reserves on the developments of its Smart Energy and Research Development Facility. Stony Brook would receive $30 million in State-funded capital appropriations to upgrade its electrical distribution system. Additionally, two hundred fifteen million dollars in reappropriation authority is included to support the relocation of the University at Buffalo's medical school.

**SUNY Community College Capital Funding**

| Community College | Estimated State Share |
|---|---|
| Adirondack | $425,000 |
| Cayuga | $393,000 |
| Clinton | $105,000 |
| Corning | $90,000 |
| Erie | $1,700,000 |
| FIT | $3,400,000 |
| Finger Lakes | $610,000 |
| Herkimer | $500,000 |
| Monroe | $15,860,000 |
| Nassau | $155,000 |
| Orange | $606,000 |
| Rockland | $350,000 |
| Suffolk | $9,185,000 |
| Tompkins-Cortland | $3,525,000 |
| Westchester | $1,245,000 |
| **Total** | **$38,149,000** |

Additionally, $38.1 million is included in new state share capital funding for SUNY's community colleges.

**City University of New York (CUNY)**

The Executive Budget recommends All Funds appropriations of **$3.73 billion**, a decrease of $156.5 million, or 4 percent below SFY 2012-13 levels. The decrease is attributed to a $302.8 million reduction in new capital funding that coincides with the end of a five–year capital plan. Of the All Funds appropriation, $2.15 billion are Fiduciary Funds in which tuition revenues and City of New York funds are used to pay senior college costs in the first instance; $1.36 billion in General Fund support includes the State's contributions to both senior college costs and community college costs; $175.4 million permit CUNY to disburse other self-generated revenues; and $45.1 million in new capital appropriation are included.

Senior Colleges

The Executive Budget includes General Fund appropriations of $1.15 million to support the State's share of operating costs for the senior colleges. Recommended levels of General Fund support represent a $40.7 million increase from SFY 2012-13 levels, primarily attributed to fringe benefit cost increases of $34.8 million. In addition, the Executive Budget assumes that the University will collect and spend approximately $964.8 million from tuition and other revenues, an increase of $60.8 million from SFY 2012-13 levels. This reflects anticipated revenues from the maximum allowable tuition increase of $300 per academic year authorized under NY-SUNY 2020 legislation.

Community Colleges

CUNY's community colleges have three basic funding sources: State support, local sponsor support (the City of New York) and student tuition revenue. The Executive Budget includes language that would create a Next Generation College Linkage program at CUNY community colleges (see SUNY community colleges above). Two million dollars in program incentive funds are made available to CUNY community colleges that meet various targets for student success. Additionally, the Executive maintains base operating aid at $2,272 per FTE and recommends a total of $203.8 million in State support, an increase of $10 million or 5.2 percent above SFY 2012-13 levels. This increase is attributed to enrollment growth.

Capital

The SFY 2012-13 enacted budget marked the last year of the five–year capital plan. For SFY 2013-14, the Executive proposes a new $690 million five–year capital plan. The first year of this plan includes $100.1 million in capital funding for CUNY, of which $55 million is allotted for a new NY-CUNY 2020 Challenge Grant Program. These grants will be available to all of the universities and colleges within the CUNY system. Projects will be selected by the Executive based on economic impact, advancement of academic goals, innovation and collaboration.

Additionally, the Executive proposes $8.1 million in new appropriations as the State share for capital projects at CUNY's community colleges.

**CUNY Community College Capital Funding**

| Community College | Estimated State Share |
|---|---|
| Borough of Manhattan | $1,000,000 |
| Bronx | $1,425,000 |
| Hostos | $1,750,000 |
| Kingsborough | $825,000 |
| LaGuardia | $1,000,000 |
| Queensborough | $2,100,000 |
| **Total** | **$8,100,000** |

**NY-SUNY 2020 and Tuition Increases**

In June 2011, legislation was passed that authorized the SUNY and CUNY trustees to increase tuition by up to $300 per year for five years. Resident undergraduate tuition for the fall 2011 semester was subsequently increased from $4,970 to $5,270 at SUNY and $4,830 to $5,130 at CUNY. Tuition was increased again in the fall of 2012. The SFY 2013-14 Executive Budget provides an additional $106 million and $60.8 million for SUNY and CUNY respectively, in additional appropriation authority to reflect anticipated tuition increases for the fall of 2013.

| SUNY and CUNY Tuition | | | | | | |
|---|---|---|---|---|---|---|
| | Academic Year | | | | | |
| University System | 2011-12 Tuition | | 2012-13 Tuition | | 2013-14 Tuition (Maximum Allowable) | |
| | In-State | Out-of-State | In-State | Out-of-State | In-State | Out-of-State |
| SUNY | $5,270 | $14,320 | $5,570 | $14,820 | $5,870 | $16,302 |
| SUNY (Buffalo & Stony Brook) | $5,270 | $14,720 | $5,570 | $16,190 | $5,870 | $17,809 |
| CUNY | $5,130 | $13,800 | $5,430 | $14,550 | $5,730 | $16,005 |

**Higher Education Services Corporation (HESC)**

The Executive Budget recommends All Funds appropriations of **$1.13 billion** in support of the Corporation. This is a net increase of $16.3 million, or 1.5 percent from SFY 2012-13 levels.

The budget provides $950.4 million for the Tuition Assistance Program (TAP), an increase of $19.8 million, or 2.1 percent. The increase is due to an anticipated increase in the number of TAP recipients.

**Higher Education Capital Matching Grant Program (HECap)**

The Executive Budget includes Article VII language to extend the New York State Higher Education Capital Matching Grant Program for an additional year, through March 31, 2014. This extension would ensure that the remaining $45 million in reappropriations, and $7.7 million in unallocated funds are made available to various independent colleges throughout the State.

**Council on the Arts**

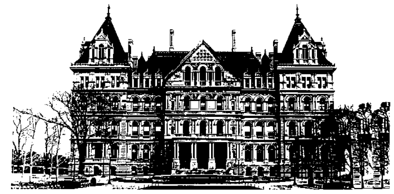
The SFY 2013-14 Executive Budget provides $42.7 million in funding for arts and cultural grants administered by the New York State Council on the Arts. This represents a $1 million, or 2.4 percent increase over SFY 2012-13. This increase reflects additional appropriation authority for the Executive Director of the Council to attract and leverage new private donor support, bequests, and gifts. This also includes an additional $100,000 suballocated to the Nelson A. Rockefeller Empire State Plaza Performing Arts Center Corporation, colloquially known as the “Egg”.

## Higher Education
## Proposed Disbursements - All Funds

**(Thousands of Dollars)**

| Agency | Estimated 2012-13 | Proposed 2013-14 | Change Amount | Change Percent |
|---|---|---|---|---|
| SUNY SFY | 7,962,052 | 7,981,294 | 19,242 | 0.2% |
| CUNY | 1,391,629 | 1,481,453 | 89,824 | 6.5% |
| Higher Education Services Corp. | 1,033,333 | 1,091,404 | 58,071 | 5.6% |
| Other | 79,492 | 54,000 | (25,492) | -32.1% |
| **Totals:** | **10,466,506** | **10,608,151** | **141,645** | **1.4%** |

# Health – Medicaid: Fact Sheet



The SFY 2013-14 Executive Budget proposes All Funds cash disbursements of $47.0 billion for the Health agencies, a net increase of $2.5 billion or 5.6 percent from SFY 2012-13.

**Medicaid:**

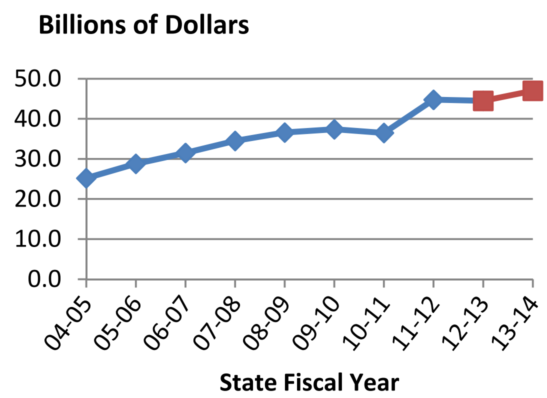
- Extends the Global Spending Cap, currently calculated at 3.9 percent, on the growth of State Medicaid expenditures for one year, through SFY 2014-15 and proposes a new two-year appropriation for Medicaid expenditures. The State share of Medicaid would increase from $21.8 billion to $22.4 billion, an increase of 2.8 percent or $662 million. The local share, including administration and other costs, would increase by 8.5 percent or $713 million, from $8.2 billion to $8.9 billion. Total Medicaid spending is projected to increase from $54.0 billion to $57.6 billion, by 6.7 percent or $3.6 billion in SFY 2013-14.
- Extends the two percent across-the-board reductions made to all service sectors in SFY 2011-12, and permanently eliminates institutional trend factors for hospitals and nursing homes.
- Consolidates Medicaid State operations administration spending, including Office of Health Insurance Programs (OHIP), under the State Medicaid funds cap.
- Implements Phase III Medicaid Redesign Team (MRT) proposals. Proposals include the prohibition of spousal refusal and the elimination of prescriber prevails provision for Medicaid Fee-For-Service (FFS) for all classes of drugs, and atypical antipsychotics for Medicaid managed care. All MRT Initiatives are estimated to be budget neutral.

**Public Health:**

- Eliminates funding for 89 discrete programs and redirects funding to the following six competitive funding pools at a reduced amounts: Chronic Disease; Environmental Health and Infectious Disease; Maternal Child Health and Nutrition; HIV/AIDS/STD and Hepatitis C; Health Quality, Outcome and Advocacy; and Workforce Training. Achieves savings of $40 million in SFY 2013-14.
- Proposes changes to the Early Intervention program, modifying coverage requirements and eligibility determinations. Local savings are estimated to be $60 million over five years.
- Proposes changes to the General Public Health Work program by increasing the base grant provided to municipalities, providing administrative efficiencies, and limiting reimbursement to a reduced set of core programs.
- Reduces funding for the Excess Medical Malpractice program by $12.7 million to $114.7 million, and limits pool access to doctors in high-risk specialties in high-risk areas.
- Phases out the Family Health Plus (FHP) and Healthy NY programs upon the implementation of the Health Care Insurance Exchange.

# HEALTH - MEDICAID

| All Funds Disbursements (Millions of Dollars) | Estimated SFY 12-13 | Projected SFY 13-14 |
|---|---|---|
| Cash | 44,506 | 47,015 |
| Annual Growth Rate | -0.6% | 5.6% |
| 5 Year Average Growth (Actual) | | 7.6% |




***Department of Health (DOH)***

The SFY 2013-14 Executive Budget recommends All Funds cash disbursements of $47.0 billion, a net increase of $2.5 billion or 5.6 percent.

***Medicaid***

The Executive proposes to extend provisions that cap the growth of DOH State Medicaid spending and to extend the authority of the Commissioner to develop a Medicaid Savings Allocation Plan if State expenditures are projected to exceed the cap amount. Medicaid program growth benchmarks and funding levels were established on a two-year basis beginning in SFY 2011-12. The Executive proposes to make SFY 2013-14 the first year of a new two-year Medicaid cycle.

The Medicaid cap is based on the ten-year rolling average of the Medical Consumer Price Index (CPI), which is estimated to be 3.9 percent in SFY 2013-14. The Executive Budget proposes spending within the cap for both SFY 2013-14 and SFY 2014-15. The SFY 2013-14 All Funds Medicaid spending, including the local share and mental hygiene agencies, is projected to be $57.6 billion, an increase of $3.6 billion, or 6.7 percent.

Medicaid State Operations Spending:
The Executive Budget proposes to shift $90.8 million in funding for Medicaid state operations, including the Office for Health Insurance Program, under the State Medicaid cap. State operations funding would not be indexed to 3.9 percent growth, and the fiscal impact to the cap would be offset by other one-time savings and efficiencies realized under the cap.

Two Percent Across the Board Reductions:
The Executive proposes to extend two percent across-the-board reductions made to all service sectors in SFY 2011-12 for another year, and permanently eliminate institutional trend factors for hospitals and nursing homes. These actions are estimated to provide cost avoidance totaling $357 million in SFY 2013-14.

Disproportionate Share Hospital Payments/ Indigent Care Pool Funds Distribution:
The Affordable Care Act (ACA) of 2010 requires that Medicaid Disproportionate Share Hospital (DSH) payments be reduced on October 1, 2013 based on the assumption that the need for DSH will decrease because of reductions in uncompensated

care as a result of health exchange coverage. The ACA requires that the largest reductions be imposed on states that do not target the DSH payments based on hospitals with high volumes of Medicaid patients and uncompensated care, excluding bad debt, and that have the lowest uninsured percentages. The minimum reduction New York will receive is $71 million. Currently, New York includes bad debt and charity care in indigent pool distributions and if the methodology is not changed the State could experience increased DSH payment reductions.

The Executive proposes legislation to provide DOH with regulatory authority to revise the current Indigent Care Pool (ICP) program by distributing funds based on uncompensated care amounts. The legislation maintains separate funding streams for public general ($139.4 million) and voluntary ($994.9 million) hospitals, and provides a protection for high Medicaid and rural hospitals. The proposal also includes a three year transition period that would cap the amount a hospitals funds could be increased or decreased by to a certain percentage specified through regulation. The proposal would also set aside one percent of the total DSH funds available in the form of a Financial Assistance Compliance Pool to encourage hospitals to come into compliance with the Financial Aid Law (FAL). Upon compliance with FAL regulations, funds would be released to individual hospitals.

Medicaid Redesign Team (MRT) Phase III Initiatives:

Although the MRT and various work groups are no longer active, the final report issued in May 2012 serves as multi-year blueprint of the Medicaid program going forward. The Executive proposes legislation that would implement Phase III MRT initiatives. Many of the proposals would require legislative action and others could be accomplished administratively, however each proposal with a fiscal impact is reflected in Medicaid appropriation spending. The net fiscal impact of the proposals are estimated to be budget neutral. Major initiatives include:

- **Spousal Refusal:** Prohibits the spouse or parent of a long-term care service recipient from refusing to contribute income or assets towards the cost of health care. Estimated State Medicaid savings are $34. 3 million.
- **Health Homes**: Invests $15 million in health home infrastructure development and support grants. The methodology for allocating funds would consider geographic and demographic factors, as well as the lack of prior access to Innovation Grants and Health Care Efficiency and Affordability Law for New Yorkers (HEAL-NY) funds.
- **Prescriber Prevails**: Eliminates prescriber prevails provisions related to prior authorization requirements for all classes of drugs under managed care plans and fee for services (FFS), and would achieve State savings of $1.0 million in SFY 2013-14.
- **Drug Utilization Review Board (DUR)**: Merges the Pharmacy and Therapeutics Committee with the DUR, and requires prior authorization of drugs eligible for reimbursement by State public health plans.
- **Capital Reimbursement**: Authorizes the Commissioner, pursuant to regulation, to establish capital reimbursement rates under managed care for Nursing Homes and Hospitals.
- **Specialty Hospital Rates**: Authorizes the Commissioner, pursuant to regulation, to establish regulations to set reimbursement rates for the operating component of specialty nursing homes. $5 million was included to provide transitional funds.

The following chart lists all of the MRT Phase III proposals that would require a fiscal investment or achieve State savings.

| Initiative | Statutory Yes/No | 2013-14 State Costs / (Savings) | 2014-15 State Costs / (Savings) |
|---|---|---|---|
| | | | |
| **Affordable Housing** | | *($ in millions)* | |
| Provide Additional Supportive Housing Services (including the reinvest of savings associated with the decertification of nursing home and hospital beds) | No | $12.50 | $12.50 |
| ***Subtotal*** | | **$12.50** | **$12.50** |
| **Basic Benefit Review** | | | |
| Expand Tobacco Cessation Counseling by Dentists | No | $1.50 | $2.00 |
| Discontinue Coverage for Lumbar Discography | No | ($0.03) | ($0.06) |
| Limit Transcutaneous Nerve Stimulation (TENS) for the Treatment of Pain to Knee | No | ($0.63) | ($1.26) |
| Discontinue Coverage for Implantable Infusion Pumps for Non-Cancer Pain | No | ($0.07) | ($0.14) |
| ***Subtotal*** | | **$0.77** | **$0.54** |
| **Managed Long Term Care (MLTC)** | | | |
| Establish a MLTC Ombudsman | No | $1.50 | $1.50 |
| ***Subtotal*** | | **$1.50** | **$1.50** |
| **Payment Reform & Quality Measurement** | | | |
| Increase Nursing Home Quality Pool | No | $5.00 | $5.00 |
| Develop Price for Specialty Nursing Homes | Yes | $0.00 | $2.50 |
| Increase Funding for the Vital Access Provider/Safety Net Pool | No | $26.00 | $12.00 |
| Reallocate $30M from the Nursing Home Financially Disadvantaged Program to fund the increase to the Vital Access Provider (VAP)/Safety Net Program (State Share:$15 million) | Yes | $0.00 | $0.00 |
| ***Subtotal*** | | **$31.00** | **$19.50** |
| **Additional Considerations** | | | |
| Increase funding to the Indigent Care Pool (ICP)/Voluntary Upper Payment Limit (UPL) | Yes | $12.50 | $12.50 |
| Reduce Ambulatory Patient Group (APG) Investment for Hospital Outpatient Payments to Increase the ICP | Yes | ($12.50) | ($12.50) |
| Provide New Health Homes Infrastructure Development and Governance Support Grants | Yes | $15.00 | $0.00 |
| Strengthen Health Home Plus Design Targeted at Assisted Outpatient Treatment | No | $2.02 | $5.04 |
| Invest in Integration of Behavioral and Physical Health Clinic Services | Yes | $7.50 | $7.50 |
| Minimum Supplemental Rebates | Yes | ($0.45) | ($0.89) |
| Eliminate Prescriber Prevails for Atypical Antipsychotic Drug Class for Managed Care | Yes | ($9.38) | ($12.50) |
| Eliminate Prescriber Prevails for All Classes of Drugs for Fee For Service (FFS) | Yes | ($1.04) | ($1.35) |
| Eliminate Prescriber Prevails for Opioids in Excess of Four Prescriptions in a 30 day period | Yes | ($0.02) | ($0.02) |
| Reduce FFS Pharmacy Reimbursement Rate to Average Wholesale Price (AWP) Minus | Yes | ($1.80) | ($2.40) |
| Eliminate Summary Posting Requirement for PTC Meetings | Yes | ($0.18) | ($0.14) |
| Tighten Early Fill Edit | Yes | ($0.40) | ($0.53) |
| Authorize Incontinence Supply Contractor | Yes | ($1.25) | ($2.50) |
| Implement Hearing Aid Administrative Efficiencies | No | ($0.13) | ($0.25) |
| Authorize Certified Social Workers to Bill Medicaid for Mental Health Services | Yes | $1.25 | $1.25 |
| Implement Changes the Early Intervention Evaluation and Screening Process | Yes | ($0.48) | ($1.90) |
| Increases MLTC Rate for Members Relocating from Adult Homes | No | $0.10 | $0.10 |
| Extend Gold STAMP Program to Reduce Pressure Ulcers | No | $0.50 | $0.00 |
| Implement Managed Long Term Care Quality Incentive | No | $10.00 | $10.00 |
| Expand Assisted Living Program (ALP) Beds | Yes | $0.00 | $0.00 |
| Implement Balance Incentive Program (ACA) | No | $10.00 | $0.00 |
| Eliminate Spousal Refusal | Yes | ($34.30) | ($68.50) |
| ***Subtotal*** | | **($3.06)** | **($67.09)** |
| **Federal Health Care Reform** | | | |
| Authorizes Federal Financial Participation (FFP) for Childless Adults (ACA) | | ($43.00) | ($43.00) |
| Repeal Family Health Plus | Yes | $0.00 | ($38.50) |
| Define the Medicaid Benchmark Plan as the Current Medicaid Benefit (without Nursing Home Care) | No | $0.00 | $115.13 |
| ***Subtotal*** | | **($43.00)** | **$33.63** |
| ***GRAND TOTALS*** | | **($0.29)** | **$0.58** |

Federal ACA and Health Exchange (Detailed in the Issues in Focus Section of This Report):

In April of 2012, the Executive issued an Executive Order to establish a New York Health Benefit Exchange that would become operational by January 1, 2014. New York received conditional approval to operate a State-based exchange by the federal Centers for Medicare and Medicaid Services (CMS) in December 2012. The Executive Budget contains many provisions related to the Health Insurance Exchange and proposals to conform New York Law with provisions of the ACA. Major highlights include:

- **Family Health Plus (FHP):** Phases out and eliminates the FHP program on January 1, 2015 since individuals would either qualify for Medicaid under the expansion or subsidies in the exchange.
- **Medicaid Expansion:** Expands Medicaid eligibility to 133 percent of the Federal Poverty Level (FPL). The only category in New York that is currently at less than 133 percent of the FPL is childless adults (100 percent FPL). Costs associated with expanding coverage to this population will be reimbursed 100 percent by the Federal government. The new eligibility system of Modified Adjusted Gross Income (MAGI) would allow an income disregard of five percent, raising eligibility to 138 percent of the FPL.
- **Healthy New York:** Eliminates the individual component of the Healthy New York program and moves the small group component to the exchange, which offers a more expansive benefits package.
- **Medicaid Applications:** Pursuant to ACA requirements, authorizes the State to accept Medicaid applications over the phone or online, and allow individuals to self-attest certain information. Prohibits the request of additional documents if information that is "reasonably comparable" confirms identifying criteria.
- **Benchmark:** Establishes a benchmark plan for the State's Medicaid system that is estimated to cost the State $115 million in SFY 2014-15.
- **Navigators:** Establishes "navigators" to assist individuals in signing up for coverage through the exchange.
- **Autism Mandate:** Replaces the $45,000 annual limit on autism services with a 680 hour limit of treatment per year to conform with ACA provisions.
- **Individual Policies:** Sunsets individual policies and requires that new policies that comply with the ACA be issued.

Temporary Operator:

The Executive proposes to authorize the Commissioner to establish a temporary operator of a general hospital, adult care facility, diagnostic and treatment center (D&TC), or a chemical dependence treatment program certified by the Office of Alcoholism and Substance Abuse (OASAS) in the event of severe management failures that endanger the life, health or safety of residents or patients. The temporary operator would serve for 180 days and be entitled to a reasonable fee, full access to all accounts and records, and would be able to incur expenses on behalf of the facility. For hospitals, D&TCs, and adult care facilities the temporary operator may be reappointed for two additional 90 day periods and for subsequent 90 day appointments as deemed necessary by the Commissioner subject to notice and a hearing. For chemical dependence programs, the temporary operator would only be entitled to serve for 180 days. The Executive introduced similar legislation in SFY 2012-13 that did not include OASAS treatment centers.

Private Equity Demonstration Program-New Models of Hospital Financing:

The Executive proposes to authorize the Commissioner to establish a pilot program that would facilitate private capital investment in health care facilities, potentially including investment from publically traded companies. As part of this pilot program, the Public Health and Health Planning Council (PHHPC) would approve the formation of two business corporations — one in Kings County, and a second in a to-be-determined location. The intent of the pilot is to bring in capital investment other than State dollars, to invest in facility infrastructure.

**Public Health**

Projected SFY 2013-14 Public Health Budget spending, excluding Medicaid and Health Care Reform Act (HCRA), is $5.54 billion, a reduction of $10 million from current year levels.

Early Intervention:

The SFY 2013-14 Executive Budget proposes multiple changes to the Early Intervention (EI) program to provide localities with savings totaling approximately $60.3 million over five years. Estimated savings to the State associated with the proposed changes are minimal, $1.9 million annually. The Executive proposes to require third party payees (health insurers, Child Health Plus (CHP), and Medicaid) to include EI service providers in their networks. All deductibles, co-payments and co-insurance requirements would apply. Currently, only Medicaid is required to cover EI services. The proposal would also require consumers of EI to utilize providers in their insurance networks.

The Executive also proposes the following changes to the EI eligibility determination process:

- Authorizing the use of supplemental evaluations in instances where a child was previously referred to the EI program within the last three months;
- Requiring screening of a child that was referred to EI who is not suspected of having a disability instead of a full multidisciplinary evaluation, unless the screening indicates that an evaluation is required or upon parental request; and
- Authorizing the use of medical and other records to establish eligibility for children with a diagnosis of a qualified physical or mental condition.

General Public Health Work (GPHW) Program:

The GPHW provides Local Health Departments (LHDs) with State reimbursement for a core set of public health services including disease control, community health assessment, health education, environmental health, and family health. The Executive proposes numerous changes to the program that would take effect in January 2014, and include:

- Encouraging the utilization of health insurance coverage for primary care and preventive services;
- Authorizing counties to bill third parties for sexually transmitted disease prevention and treatment services (counties are currently required by State law to provide these services for free);
- Expanding core services to include chronic disease prevention and emergency preparedness and response;
- Increasing the State base grant amount from $550,000 to $650,000 (65 cents per capita).
- Establishing a $1 million statewide incentive performance program;
- Eliminating local reporting and statutory program requirements, and simplifying the process by which counties apply for State reimbursement.

The net State savings associated with the proposals are estimated to be $3.5 million in SFY 2014-15, increasing to $6.9 million when fully annualized in SFY 2015-16. Local savings are estimated to be $16.1 million over five years.

Excess Medical Malpractice Pool:

The Excess Medical Malpractice Liability Coverage Pool (Excess Pool) was created to help contain the cost of malpractice insurance to eligible physicians by funding a *secondary* layer of medical malpractice insurance at no cost to them. Over time, more physicians and dentists have become employed by hospitals, which provide a primary layer of coverage, providing them with increased access to coverage under the Excess Pool.

As a result, the premium amount allocated by the State has been diluted and the Excess Pool liability has increased. With the current number of physicians and dentists enrolled in the program it is estimated between $151 million and $156 million would be required for adequate funding.

The Executive proposes legislation that would limit access to the Excess Pool to physicians and dentists with the highest risk specialties, providing services in the highest risk geographical locations. The Executive also proposes reducing the pool by $12.7 million, from $127.4 million to $114.7 million to reflect decreased enrollment.

Child Health Plus:

The Executive proposes transferring rate setting for Child Health Plus from the Department of Financial Services to DOH. This action would align the rates with similar experienced plans in Medicaid Managed Care and Family Health Plus, resulting in $16.2 million in savings in SFY 2013-14.

Public Health Care Programs:

The Executive proposes to eliminate funding for 89 discrete programs and consolidate the associated funding for each into six "Outcome Based Health Planning" block grants at a reduced gross amount of 10 percent. Legislation is proposed to authorize the commissioner to establish outcome based contracting requirements that would make awards and grants on a competitive basis pursuant to requests for applications or proposals. The six new block grants could fund existing contracts, however programs could be eliminated and new programs could become eligible for funding under the proposed construct.

The following six outcome based block grants would be established:

- The Chronic Disease Prevention and Treatment Program ($63.0 million);
- The Environmental Health and Infectious Disease Program ($19.8 million);
- The Maternal and Child Health Outcomes Program ($114.8 million);
- The HIV, AIDS, Hepatitis C and STDs Program ($90.7 million);
- The Health Quality and Outcomes Program ($30.7 million); and
- The Workforce Training Program ($36.2 million).

State savings associated with this proposal would be $40.0 million in SFY 2013-14. The chart on the following page shows which programs would be consolidated into each initiative, however this proposal does not guarantee that each program would be funded under the new competitive block grants.

| 2013-14 EXECUTIVE PROPOSED PUBLIC HEALTH PROGRAM CONSOLIDATION | | | |
|---|---|---|---|
| **Proposed Chronic Disease Prevention and Treatment Program: $63,000,000** | | | |
| **Consolidated Appropriation/Program** | **SFY 2012-13 Cash** | **Consolidated Appropriation/Program** | **SFY 2012-13 Cash** |
| Tobacco Use Prevention and Control Program | $30,966,000 | Adelphi U. Breast Cancer Program | $300,000 |
| Evidence Based Cancer Services Program | $17,767,000 | Alzheimer's Community Service Programs | $295,000 |
| EBCSP (Cancer Consolidation) | $9,006,750 | Hypertension Screening and Treatment | $246,000 |
| Obesity and Diabetes Programs | $7,205,000 | NYS Alzheimer's Chapter, Inc. | $246,000 |
| Tobacco Enforcement and Education | $2,303,000 | Comprehensive Care for Eating Disorders | $125,000 |
| Hypertension Prevention/Healthy Heart | $669,000 | Alzheimer's Community Assistance | $49,000 |
| Alzheimer's Disease Assistance Centers | $498,000 | Osteoporosis Prevention / Helen Hayes | $32,500 |
| Alzheimer's Disease Program (SOFA Transfer) | $360,000 | | |
| **Total Chronic Disease 12-13 Cash** | **$70,068,250** | **13-14 Projected Savings** | **($7,068,250)** |
| | | | |
| **Proposed Environmental Health and Infectious Disease Program: $19,800,000** | | | |
| Statewide Public Health Campaign | $5,917,000 | Migrant Health | $430,000 |
| Water Supply Protection Program | $5,313,200 | Lead Poisoning Prevention | $292,000 |
| Childhood Lead Poisoning Primary Prevention | $5,000,000 | P.H. Management Leaders of Tomorrow | $277,000 |
| Healthy Neighborhood Program | $1,983,400 | Tick-Borne Disease Institute | $73,500 |
| Rabies Program | $1,542,000 | Statewide Health Broadcasts | $41,750 |
| Tuberculosis Treatment Detection & Prevention | $599,000 | Public Health Home Genomics | $25,000 |
| Health Promotion Initiatives | $570,000 | | |
| **Total Environmental Health 12-13 Cash** | **$22,063,850** | **13-14 Projected Savings** | **($2,263,850)** |
| | | | |
| **Proposed Maternal, Child Health & Nutrition Program: $114,800,000** | | | |
| Hunger Prevention & Nutrition Assistance | $29,702,500 | Childhood Asthma Coalitions | $1,232,000 |
| Family Planning Services | $25,101,000 | Rehab of Physically Handicapped Children | $1,179,000 |
| Supplemental Nutritional Assistance Program | $19,811,300 | Infertility Services/Treatments/Procedures | $1,100,000 |
| Adolescent Pregnancy Prevention Program | $11,259,000 | Infertility Services and Treatments | $923,500 |
| School Based Health Clinics | $8,400,000 | School Health Clinic (Sub-Schedule) | $875,140 |
| (SNAP)/WIC | $7,993,600 | Genetic Disease Screening | $645,000 |
| School Based Health Centers | $4,436,000 | Maternity/Early Childhood Foundation | $299,500 |
| School Health Program | $3,981,000 | Children's Ed. Asthma Program | $226,000 |
| Prenatal Care Assistance Program | $2,432,000 | Sickle Cell Screening | $226,000 |
| School Health Program | $2,007,000 | Rape Crisis Centers | $128,000 |
| Prenatal & Postpartum Home Visitation Program | $1,956,000 | Safe Motherhood Initiative | $36,750 |
| Rape Crisis Centers | $1,871,000 | Statewide Maternal Mortality Reviews | $33,125 |
| Early Intervention Respite Services for Families | $1,861,000 | Sudden Infant Death Syndrome Centers | $19,500 |
| **Total Maternal, Child & Nutrition 12-13 Cash** | **$127,734,915** | **13-14 Projected Savings** | **($12,934,915)** |
| | | | |
| **Proposed HIV, AIDS & STDs Program: $90,700,000** | | | |
| Regional Targeted HIV Services | $26,297,600 | Sexuality Related Programs | $5,260,150 |
| HIV STD and Hepatitis C Prevention | $25,925,000 | Regional Targeted HIV Services | $3,090,000 |
| HIV Health Care (HHC) | $20,026,000 | HIV Clinical Provider and Ed. Programs | $2,751,400 |
| HHC & Supportive Services (NY/NY III) | $9,515,000 | Hepatitis C Programs | $1,131,000 |
| HIV, STD, and Hepatitis C Prevention | $6,997,850 | | |
| **Proposed HIV, AIDS & STDs 12-13 Cash** | **$100,994,000** | **13-14 Projected Savings** | **($10,294,000)** |
| | | | |
| **Proposed Health Quality and Outcomes Program: $30,700,000** | | | |
| Traumatic Brain Injury | $13,200,400 | Brain Trauma Foundation | $245,000 |
| Quality of Care Review for Medicaid | $10,800,600 | Patient Health Info/Quality Improvement | $184,000 |
| Quality Program for Adult Care Facilities | $4,311,700 | Health IT Consulting Services | $176,000 |
| Quality of Life for Adult Care Facility Residents | $2,605,000 | Falls Prevention Program | $150,000 |
| Cardiac Services Access and Data | $690,900 | NYS Donor Registry Awareness | $122,500 |
| NYPORTS | $625,100 | Assisted Living Residence Account | $95,000 |
| Operating Assistance for Enriched Housing | $502,900 | Long Term Care Community Coalition | $34,500 |
| Center for Liver Transplant & Alliance for | $372,000 | | |
| **Total Health Quality & Outcomes 12-13 Cash** | **$34,115,600** | **13-14 Projected Savings** | **($3,415,600)** |
| | | | |
| **Proposed Workforce Training Program: $36,200,000** | | | |
| Health Workforce Retraining Program | $13,400,000 | Physical Workforce Studies | $1,032,000 |
| Empire Clinical Research Investigator Program | $9,120,000 | Area Health Education Center Program | $2,200,000 |
| Ambulatory Care Training Program | $5,470,000 | Center for Workforce Studies | $196,000 |
| Physical Practice Support Program | $3,923,000 | Gateway Institute | $110,000 |
| Physician Loan Repayment | $3,086,000 | Upstate Medical Foundation | $19,500 |
| Diversity in Medicine/Baccalaureate Program | $1,700,000 | | |
| **Total Workforce Training 12-13 Cash** | **$40,256,500** | **13-14 Projected Savings** | **($4,056,500)** |
| **TOTAL CONSOLIDATED PROGRAMS** | **$395,233,115** | **TOTAL 13-14 PROJECTED SAVINGS** | **($40,033,115)** |

Certificate of Need:
The Executive proposes to streamline the planning process for the establishment and construction of health care institutions under the certificate of needs process. Additionally, standards used by the PHHPC when considering prospective facility operators would be amended.

Emergency Medical Services (EMS) Councils:
The Executive proposes to restructure the oversight councils for EMS. The proposal would consolidate the State Emergency Medical Services Council (SEMSCO), the State Emergency Medical Advisory Committee (SEMAC), the State Trauma Advisory Committee (STAC), and the Emergency Medical Services for Children Council (EMS-C) into one State Emergency Medical Services Advisory Board (SEMSAB). SEMSAB would be tasked with reviewing standards and quality standards to make recommendations to the Commissioner Additionally, the existing 18 Regional Emergency Medical Services Councils (REMSCOs) would be consolidated into up to ten. The Commissioner would determine which councils would be merged based on geography, industry and patient care. The Legislature denied a similar proposal by the Executive in SFY 2012-13.

Primary Care and Scope of Practice:
The Executive Budget proposes a series of scope of practice related changes for certain practitioners. Proposals include:

- Creating a demonstration program to allow home health aides, while under supervision by a professional nurse, to administer routine and premeasured medication;
- Authorizing a certified advanced home care aide to provide certain nursing services to a self-directed individual. The Commissioner would certify advanced home health aides and create minimum training and qualifications for this position.
- Clarifying that a dental hygienist may not administer or monitor nitrous oxide or local anesthesia except in certain circumstances.
- Authorizing a registered dental hygienist to practice in a hospital when possessing a collaborative arrangement with a licensed dentist.
- Authorizing a registered dental hygienist to perform dental supportive services outside a dentist's direct supervision. This would not include a registered dental hygienist who performs x-rays on the mouth or teeth.
- Authorizing a registered dental hygienist to sign a dental health certificate for the dental health of public school students.
- Eliminating written collaborative agreements and practice protocol requirements between certified nurse practitioners and licensed physicians for primary care services if it can be demonstrated that such protocols and agreements are not feasible.
- Increasing the number of physician assistants that may be supervised by a physician from two to four in a private practice setting and from four to six in a Department of Corrections and Community Supervision setting.
- Requiring radiologic technologists, either licensed or seeking licensure in another state, to immediately report to DOH any out of state criminal convictions or disciplinary actions.

There are no State savings associated with expanding or amending scope of practice requirements.

Elderly Pharmaceutical Insurance Coverage:
The Legislature restored funding in the SFY 2012-13 Enacted Budget to provide coverage for Medicare Part D co-payments for low-income seniors effective January 1, 2013. The Executive Budget includes funding to fully annualize the restoration of coverage through SFY 2013-14.

Nursing Home Gross Receipts Assessment:
The Executive proposes making permanent the six percent gross receipts assessment on Nursing Homes. The assessment was last extended on a two-year basis in 2011; and if not extended the loss of revenue to the State would be approximately $600 million.

Eliminate the Human Services Cost of Living Adjustment (COLA):
The Executive proposes to eliminate the 1.4 percent COLA for Human Services Providers for an additional year. Savings to the State associated with DOH providers would be $2.2 million in SFY 2013-14.

State Operations and Staffing:
The Executive proposes a workforce of 5,020 Full Time Equivalents (FTE's), an increase of 385 over current year levels. The net increase is attributable to the following actions:

- The phased-in takeover of local government administration of the Medicaid program (+250);
- Implementation of the New York Health Exchange (+98);
- The takeover of the Child Health Plus rate setting process from the Department of Financial Services (+2);
- Refilling current vacated positions (+39); and
- The reduction of staff attributed to the transfer of print shop activities to the Office of General Services (-4).

***Office of the Medicaid Inspector General (OMIG)***

The SFY 2013-14 Executive Budget recommends All Funds cash disbursements of $66.5 million, a net decrease of $8.3 million or 11 percent. The decrease is attributed to the following actions:

- $4.5 million in General Fund savings associated with the annualization of staff attrition, offset by a $1.1 million transfer to the Office for Information Technology Systems made in the current fiscal year;
- The elimination of a $3.7 million Special Revenue-Other (SRO) offset account; and
- $1.1 million decrease in Federal appropriation authority to reflect actual cash.

The Executive proposes a workforce of 486 FTEs, a net increase of 10 from current levels.

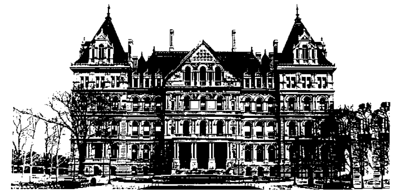
The audit target for SFY 2013-14 remains consistent with current year levels at $1.1 billion. The target includes $323 million in cash recoveries and $809 million in savings associated with cost avoidance.

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

(Thousands of Dollars)

| Agency | Estimated 2012-13 | Proposed 2013-14 | Change Amount | Change Percent |
|---|---|---|---|---|
| Medical Assistance | 38,809,761 | 41,248,432 | 2,438,671 | 6.3% |
| Medicaid Administration | 1,160,500 | 1,468,528 | 308,028 | 26.5% |
| All Other Health | 4,535,678 | 4,297,760 | (237,918) | -5.2% |
| **Totals:** | **44,505,939** | **47,014,720** | **2,508,781** | **5.6%** |

# Transportation Fact Sheet



Department of Transportation

- The SFY 2013-14 Executive Budget includes $300 million of new State funding under the New York Works program for transportation infrastructure. The proposal allocates $200 million of this to Highways and Bridges, and $100 million to be competitively awarded through the Regional Economic Development Councils. These additions would bring the Department of Transportation's (DOT) One-Year Capital Program to $3.7 billion. This $3.7 billion total includes a $100 million increase agreed to in SFY 2012-13. Approximately $50 million would be added to the non-Core program to address Superstorm Sandy recovery.
- Proposed funding levels for the Consolidated Highway Improvement Program (CHIPS) ($363.1 million) and Marchiselli ($39.7 million) programs are maintained.
- The Executive Budget proposes over $4.7 billion in transit operating assistance, including $4.3 billion for the Metropolitan Transportation Authority (MTA), an increase of $384 million. The increase is shared between the MTA ($361 million) and the other downstate operators ($23.5 million). Upstate providers would receive a flat funding level of $175.5 million. The upstate and downstate shares are determined by revenues received.

Department of Motor Vehicles

- The SFY 2013-14 Executive Budget proposes $323 million in All Funds spending for the Department of Motor Vehicles (DMV), a $27 million or 9 percent increase from SFY 2012-13.
- DMV's recommended funding level includes $4.5 million for a new Customer Service Initiative. The initiative will seek measures to reduce office wait times, including the installation of new kiosks. In addition, the Executive Budget proposes allowing State DMV offices to be open on Saturdays.

Metropolitan Transportation Authority

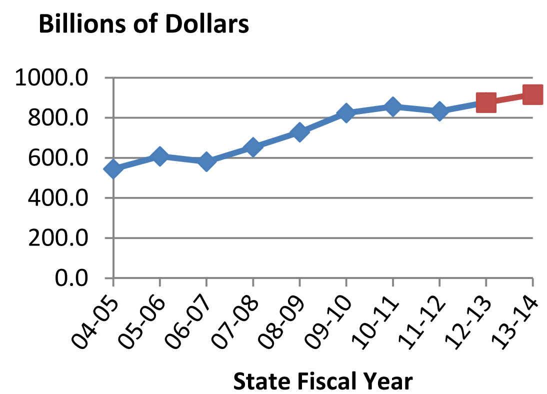
- The SFY 2013-14 Executive Budget recommends nearly $4.3 billion in All Funds cash assistance for the MTA, an increase of $361 million or 9.3 percent from last year. This includes $2.5 million to reimburse the MTA for lost revenue on the Rockaway bridges after Hurricane Sandy, when tolls were suspended to assist in the recovery effort. In addition, the Executive Budget proposes using $20 million in downstate mass transit funds for debt service costs on the existing State-issued MTA service contract bonds, which are usually paid from the General Fund.

Thruway Authority

- The SFY 2013-14 Executive Budget recommends a Thruway All Funds spending level of $26 million, an increase of $24 million. The $24 million appropriation would be added by the State, while the Thruway realizes additional savings such as transferring State Police Troop T to the State ($55 million), and exempting the Thruway from certain cost recovery assessments ($5.2 million). These measures were part of a recent agreement to avert a 45 percent commercial truck toll increase. Total savings for the Thruway would be $84.2 million.

# TRANSPORTATION

| All Funds Disbursements (Millions of Dollars) | Estimated SFY 12-13 | Projected SFY 13-14 |
|---|---|---|
| Cash | 8,764 | 9,159 |
| Annual Growth Rate | 4.5% | 5.2% |
| 5 Year Average Growth (Actual) | | 7.6% |




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

The SFY 2013-14 Executive Budget proposes a total spending level of $9.2 billion, a $394 million or 4.5 percent increase over last year, across all transportation agencies.

***Department of Motor Vehicles***

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

The SFY 2013-14 Executive Budget recommends an All Funds spending level of $323 million for DMV, a $27 million or 9 percent increase over last year. This would be the first spending increase for DMV in five years.

This increase is attributable to a new $4.5 million Customer Service Initiative and increasing fixed cost and salaries as part of the most recent collective bargaining agreement. This increase is partially offset by savings associated with the attrition of 46 non-customer-service Full Time Equivalent (FTE) positions over two years.

The Customer Service Initiative seeks to reduce wait times, and implement technological upgrades to improve customer service. This Initiative would be funded through the Dedicated Highway and Bridge Trust Fund (DHBTF). This Initiative will continue the practice of moving more General Fund expenses to the DHBTF, limiting the funds ability to borrow for capital purposes.

DMV estimates its workforce for SFY 2013-14 at 2,215 FTE positions, a net decrease of 4 positions. This is significantly lower than DMV's staffing level of 2,809 FTEs in the SFY 2010-11 Enacted Budget.

The Executive Budget includes Article VII legislation to authorize DMV offices to operate on Saturdays. The Division of the Budget has stated that this measure would have no fiscal impact.

***Department of Transportation***

The Department of Transportation (DOT) maintains and improves the State's more than 38,000 highway lane miles and 7,500 bridges. In addition, the Department subsidizes locally operated transit systems and partially funds local government highway and bridge construction, and rail and airport programs. The Department is headquartered in Albany, and DOT currently operates 11 regional offices in Albany, Utica, Syracuse, Rochester, Buffalo, Hornell, Watertown, Poughkeepsie, Binghamton, Hauppauge and New York City.

The SFY 2013-14 Executive Budget proposes an All Funds spending level of $8.6 billion, an increase of $494 million or 6.1 percent over SFY 2012-13.

*Capital*

The SFY 2012-13 Enacted Budget established the New York Works program to coordinate infrastructure projects throughout the State. This acceleration and enhancement program is operated through DOT, with oversight from the New York Works Task Force. The majority of New York Works dollars (85 percent of SFY 2012-13 project funds) are for transportation projects.

The first year total of $1.16 billion for New York Works transportation projects was funded largely though Federal funds ($917 million), and through accelerating out-year funding into SFY 2012-13. The $1.16 billion for New York Works was in addition to DOT Core Program spending of $3.3 billion, for a total One-Year DOT Capital Plan of $4.5 billion in SFY 2012-13.

The SFY 2013-14 Executive Budget proposes $300 million in new transportation funding under New York Works. The additional $300 million provides $3.7 billion for this year's One-Year Capital Program. The proposed $300 million would be funded entirely through new Personal Income Tax (PIT) bonds, and not through the Dedicated Highway and Bridge Trust Fund (DHBTF).

At this time, Capital Plan project lists have not been made public. However, the Executive SFY 2013-14 proposal anticipates that $100 million of these funds will be allocated through the Regional Economic Development Councils. The remaining $200 million would go through the Highway and Bridge program.

In addition to the $300 million from New York Works, there is $100 million in new capital spending authorized in the SFY 2012-13 Enacted Budget (the agreement added $100 million to Road and Bridge Capital for SFY 2013-14, and another $100 million in SFY 2014-15).

According to the Division of the Budget, the $100 million agreed to for SFY 2013-14 is allocated to Department of Transportation's construction and engineering operations (in the typical split of $5 million for right-of-way, $10 million for engineering, and $85 million for construction).

As mentioned above, the Executive's SFY 2013-14 proposal seeks to spend $100 million of transportation capital through the Regional Economic Development Councils in SFY 2013-14. The agreement last year did not specify the allocation of the $100 million, but would instead be determined within the SFY 2013-14 Capital Plan.

Approximately $50 million would be added to non-Core program to address Superstorm Sandy recovery.

*Transit Operating Assistance*

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

The SFY 2013-14 Executive Budget recommends All Funds spending of over $4.7 billion in total transit operating assistance. The MTA would receive nearly $4.2 billion, an increase of $361 million. All the other transit systems would receive about $460 million, or an overall increase of $23.5 million. Since the proposed increase in transit aid is due to the projected receipt of higher dedicated transit revenues, only the MTA and the other downstate systems are slated to see funding increases, as the revenues (a portion of the petroleum business tax) that are dedicated to the upstate systems are not expected to increase over SFY 2012-13.

The SFY 2013-14 Executive Budget proposes flat funding for the upstate transit providers ($175.5 million). In addition, the funding for the upstate providers is dependent upon a recommended change in the distribution of the transmission tax. Although the transmission tax is collected Statewide, it is currently only distributed to the MTA and the other downstate transit systems. The Executive's proposal would statutorily allocate 26 percent of the transmission tax proceeds that go to transit aid to go directly to upstate systems. Last year's Enacted Budget included a one-year direct funding transfer to the upstate systems. The flat funding level for upstate transit assumes this change. Without this change, upstate transit funding would decrease by $18 million.

The SFY 2012-13 Executive Budget includes a proposal to use $20 million of downstate Metropolitan Mass Transportation Operating Assistance (MMTOA) funds to pay a portion of the debt service costs on existing state-issued MTA service contract bonds. MMTOA is funded from a piece of the petroleum business tax (PBT), the MTA Corporate Surcharge, a regional sales tax, and the long lines tax. The Public Transportation Operating Account (PTOA), which funds the upstate transit systems receives only a portion of the PBT.

*Local Aid*

Under the Executive's proposal, the Consolidated Highway Improvement Program (CHIPS) would receive $363.1 million, and the Municipal Streets and Highways Program ("Marchiselli") would receive $39.7 million. Funding levels for these programs have remained flat since SFY 2008-09.

*Proposed Savings*

The SFY 2013-14 Executive proposal includes administrative and efficiencies actions to save $32.2 million this year, and $24.5 million in SFY 2014-15. These savings would be achieved through the attrition of 22 FTEs, non-personal services savings, shared service agreements, and organizational streamlining. The Division of the Budget and the Executive's office have said that the SFY 2012-13 Executive proposal to close or consolidate any of the DOT's 11 regional offices is **not a part of this cost savings**, and these consolidations are not being pursued.

***Metropolitan Transportation Authority***

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

*MTA Operating Budget*

The SFY 2013-14 Executive Budget recommends operating assistance of nearly $4.3 billion for the MTA, an increase of $361 million. The increased assistance is in line with proposed increases for other downstate transit operators, and is due to the availability of additional dedicated tax receipts.

The SFY 2013-14 Executive Budget also includes $2.5 million to reimburse the MTA for lost revenue on the Rockaway bridges in the aftermath of Superstorm Sandy. Tolls were suspended on the Marine Parkway and Cross Bay Bridges to assist storm recovery efforts in the Rockaways.

| Transit Operating Assistance Appropriations | | | |
|---|---|---|---|
| | Enacted 2012-13 | Proposed 2013-14 | Difference |
| **Downstate** | | | |
| NYCTA | $1,602 | $1,720 | $118 |
| MTA Commuter Rail | $578 | $635 | $57 |
| MTA (Payroll & Aid Trust) | $1,812 | $1,933 | $121 |
| **MTA Total** | **$3,992** | **$4,288** | **$296** |
| Rockland | $3 | $3 | $0 |
| Staten Island Ferry | $28 | $30 | $2 |
| Westchester | $47 | $51 | $4 |
| Nassau - NICE Bus | $56 | $62 | $6 |
| Suffolk | $22 | $24 | $2 |
| NYC DOT | $74 | $81 | $7 |
| Remaining Systems | $27 | $29 | $2 |
| Supplemental | $4 | $4 | $0 |
| **Non-MTA Total** | **$261** | **$285** | **$24** |
| Subtotal Downstate | $4,253 | $4,572 | $319 |
| **Upstate** | | | |
| CDTA | $31 | $31 | $0 |
| CNYRTA | $28 | $28 | $0 |
| RGRTA | $33 | $33 | $0 |
| NFTA | $45 | $45 | $0 |
| Remaining Systems | $36 | $36 | $0 |
| Supplemental | $2 | $2 | $0 |
| Subtotal Upstate | $176 | $176 | $0 |
| **Program Totals** | **$4,429** | **$4,748** | **$319** |

**Due to rounding some amounts may vary*

*Recent MTA Actions*

In December 2012, the board of the MTA voted to approve the Authority's $13.2 billion 2013 operating budget. Included as part of this budget, the board approved 7.5% fare and toll revenues increases that are scheduled to take effect at the beginning of March 2013. The new fares and crossing charges are expected to generate annualized revenue of $450 million. This will be the MTA's fourth fare and toll increase in six years. The MTA's multi-year financial plan assumes that fares and tolls will increase every two years, with the next increase scheduled for 2015.

The MTA's 2013 budget includes $29.5 million in service improvements to restore or expand service on nearly 40 subway, bus and commuter rail lines, three years after making deep service cuts ($93 million) to address a budget shortfall.

*2010-2014 MTA Capital Program – Superstorm Sandy*

In December 2012, the MTA submitted an amendment to its 2010-2014 Capital Program to the Capital Program Review Board (CPRB) to authorize nearly $4 billion to repair damage caused by Superstorm Sandy.

This recently approved amendment increases the 2010-2014 Capital Plan from $22.2 billion to $26.2 billion.

The MTA estimates the total infrastructure cost of Sandy at $4.8 billion, which includes $778 million in MTA Bridges and Tunnels' projects that are not subject to CPRB oversight. Damage from Sandy included the flooding of 8 subway tunnels; washing out of sections of the Rockaway subway line (A) in Queens; flooding of the South Ferry and Whitehall subway stations in Lower Manhattan; and flooding of numerous subway and commuter railroad yards and depots, including damage to the Long Island Rail Road's Long Beach branch.

The MTA expects Federal disaster recovery funds (e.g., FEMA) and insurance proceeds will pay for the majority of the Sandy-related work, but that the MTA may be responsible for roughly $950 million. The MTA intends to pay the necessary financing costs with additional budget savings.

***Thruway Authority***

The Thruway Authority operates a 570-mile highway system that includes the 426-mile mainline from Buffalo to New York City. Through its subsidiary, the New York State Canal Corporation, the Thruway maintains, operates, develops, and makes capital improvements to the 524-mile navigable waterway, which includes 57 locks, 20 lift bridges, dams, reservoirs, and water control structures.

The Thruway is also responsible for building a new Tappan Zee Bridge, a $3.1 billion project that is scheduled to start in the near future. See the State Infrastructure section of this report for further detail on the Tappan Zee Bridge replacement.

The Thruway Authority and Canal Systems programs are primarily financed with Authority funds that are not part of the NYS Budget. The Thruway Authority's 2013 combined operating and capital budget, including the Canal Corporation, totals $977 million, which represents the decline of 3.4 percent over the revised estimate for 2012.

The SFY 2013-14 Executive Budget includes $84.2 million in assistance to the Thruway Authority. This funding will be allocated as follows:

- Transferring $55 million in annual costs to the State to support Troop T of the New York State Police
- Reducing expenses by $5.2 million by exempting the Thruway from certain cost recovery assessments
- Adding $24 million in State funds to cover expenses incurred by the Thruway Authority. The specific costs have not yet been identified

The $24 million would be a direct spending increase to the Thruway, while the Troop T transfer ($55 million) and cost recovery assessments ($5.2 million) would be savings. The $84.2 million in savings measures were first announced in December 2012, as part of an agreement to cancel a highly controversial, 45 percent, commercial toll rate increase.

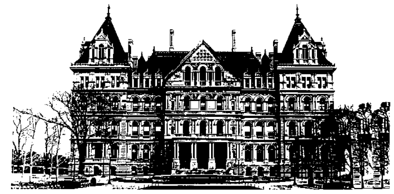
The SFY 2013-14 Executive Budget also maintains a $2 million appropriation from the Canal System Development Fund, which receives canal tolls and user fees, for a portion of the Canal System's maintenance, improvement, and promotion costs.

## Transportation
## Proposed Disbursements - All Funds

**(Thousands of Dollars)**

| Agency | Estimated 2012-13 | Proposed 2013-14 | Change Amount | Change Percent |
|---|---|---|---|---|
| Department of Transportation | 8,133,481 | 8,627,698 | 494,217 | 6.1% |
| Department of Motor Vehicles | 296,044 | 322,673 | 26,629 | 9.0% |
| Thruway Authority | 1,800 | 25,800 | 24,000 | 1333.3% |
| Metropolitan Transportation Authority | 333,600 | 183,600 | (150,000) | -45.0% |
| **Totals:** | **8,764,925** | **9,159,771** | **394,846** | **4.5%** |

# Environment, Agriculture and Housing Fact Sheet



**Adirondack Park Agency**

- All Funds appropriations reduction of $600,000.
- The decrease reflects the transfer of one Full Time Equivalent (FTE) position to Information Technology Services and one FTE position to the Business Service Center (a new proposed centralized procurement initiative to be run through Office of General Services), and the elimination of $500,000 in capital appropriation authority.

**Department of Agriculture & Markets**

- All Funds appropriation reduction of $3.8 million resulting from the elimination of funding for local assistance programs partially offset by increased spending for the E-license initiative.
- The Executive Budget includes $450,000 in funding for the FreshConnect farmers' market program.
- Funding for the Farm Viability Institute is decreased by $800,000, and most new initiatives from SFY 20112-13 are not funded.
- A new hops institute would be established with an initial $40,000 in funding designed to test which hops varieties (a beer and ale ingredient) would do best in New York.
- The Executive proposes $2.5 million in New York Works capital for improvements to the State Fair grounds.

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

- All Funds appropriation authority increases by $23 million.
- Includes a $25 million addition for Cleaner, Greener Communities Funding (financed by the Regional Greenhouse Gas Initiative assessments) offset by $2 million less for the required State capital match tied to Federal payments for nuclear waste cleanup at West Valley.

**Department of Environmental Conservation (DEC)**

- All Funds appropriation authority decreases by $187.4 million reflecting New York Works Capital spending authorizations now spread over the life of the State fiscal plan, and the transfer of 74 FTE positions to Information Technology Services.
- The Executive proposes a $19 million increase for the Environmental Protection Fund to $153 million through the deposit of $19 million in unclaimed bottle deposits.

- The Executive proposes an additional $40 million in New York Works Capital for DEC to fund brownfield environmental restoration projects, recreational facilities updates, health and safety repairs, wastewater treatment infrastructure, the plugging and remediation of abandoned oil and gas wells, and e-business initiatives to provide DEC customers with updated online services.
- The $2.50 per tire waste tire fee, due to be eliminated on December 31, 2013 would be made permanent.

**Division of Housing and Community Renewal**

- All Funds appropriation reduction of $25.6 million.
- The Executive proposes a $1 billion (off-budget), five-year House NY plan to preserve, repair, finance and create an estimated 14,300 affordable housing units. Over the five years, proposal includes: $175 million in Mortgage Insurance Fund (MIF) spending and $531 million bond financing for the acquisition and revitalization of 45 Mitchell Lama affordable housing projects; $161 million in MIF and $70 million in HCR Capital Bonding for the creation and preservation of 5,643 affordable housing units through various community development programs; and $100 million in MIF for Hurricane Sandy relief initiatives.
- The Executive Proposes to consolidate Neighborhood and Rural Preservation Programs into one Community Preservation Program and fund these programs off-budget with $12 million in excess reserves from the MIF.
- The Executive proposes to fund the Rural Rental Assistance Program off-budget with $20.4 million in excess reserves from the MIF.
- The Executive Budget decreases appropriation authority for Federal Low Income Weatherization Grants by $10 million, from $42.5 million to $32.5 million.
- The Executive proposes to transfer administration of the Homeless Housing Assistance Program (HHAP) from the Office of Temporary and Disability Assistance to the Division of Housing and Community Renewal.

**Olympic Regional Development Authority (ORDA)**

- All Funds appropriation authority increases by $684,000 from increased spending expected through the Federal Winter Sports Education Trust Fund.
- The Executive proposes to sub-allocate $2.5 million in Office of Parks, Recreation and Historic Properties New York Works capital for improvements at ORDA facilities.

**Office of Parks, Recreation and Historic Properties**

- All Funds appropriation authority decreased by $53.6 million resulting from a $45 million reduction in new New York Works Capital from the $95 million appropriation in SFY 2012-13, the elimination of funding for SFY 2012-13 legislative additions and the movement of 17 FTE positions over to Information Technology Services.

- The Executive proposes an additional $50 million in New York Works capital with a sub-allocation of $2.5 million to ORDA and $2.5 million to Agriculture and Markets.

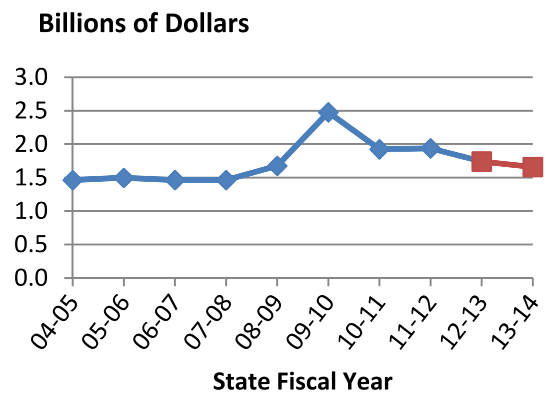
**Public Service Commission (PSC)**

- All Funds appropriation authority increases $4.3 million due to anticipated increases of $3.4 million in intervener funding for major energy project proposals, and a new, federally funded, $1 million consumer advocacy initiative.
  - The intervener funding increase is to cover costs associated with providing adequate public and local municipality participation involving applications for expanded transmission projects related to the Executive's Energy Highway initiative.
  - The $1 million for the new consumer advocacy program results from a settlement of a Federal action against a major energy company operating in New York State. The funds are to be used for advocacy in rate matters involving the competitive wholesale power markets in matters before the New York Independent Systems Operator or the Federal Energy Regulatory Commission.

- Employee levels are held steady compared to SFY 2012-13 despite a transfer of 28 FTE positions to Information Technology Services. The PSC expects to hire 28 FTE positions to implement the recommendations of the Moreland Commission.

# ENVIRONMENTAL CONSERVATION, AGRICULTURE, & HOUSING

| All Funds Disbursements (Millions of Dollars) | Estimated SFY 12-13 | Projected SFY 13-14 |
|---|---|---|
| Cash | 1,741 | 1,659 |
| Annual Growth Rate | -10.2% | -4.7% |
| 5 Year Average Growth (Actual) | | 8.1% |




**Environment, Agriculture and Housing:**

The SFY 2013-14 Executive Budget recommends All Funds disbursements of $1.66 billion, a reduction of $82.7 million for the State's Environmental Conservation, Energy, Agriculture and Housing agencies. Decreases in funding are recommended for the Department of Environmental Conservation ($55.1 million); the Department of Agriculture and Markets ($10.3 million); the Division of Housing and Community Renewal ($11.1 million); the Adirondack Park Agency ($89,000); the Energy Research and Development Agency ($400,000); the Hudson River Park Trust ($3.8 million); and the Office of Parks, Recreation and Historic Preservation ($8.8 million). Only the Olympic Regional Development Authority $1.2 million, and the Department of Public Service, $5.6 million, are recommended by the Executive to receive additional funding.

**Environmental Conservation:**

The Executive recommends All Funds appropriations in the amount of $897.8 million for the Department of Environmental Conservation (DEC), a decrease of $187.4 million from SFY 2012-13. The requested appropriation decline is due to the spreading out of capital project funding over a longer period of time and the transfer of 74 employees from DEC to the Office of Information Technology Services (ITS). However, cash outlays are expected to total $915.8 million due to the timing of spending of previously authorized New York Works capital. Actual anticipated spending is estimated to decline by $55.1 million year to year.

There are no new major programmatic initiatives in the Executive's proposed budget. The Executive is proposing $40 million in additional New York Works Capital to provide increased funding for grants to municipalities for site remediation, wastewater infrastructure improvements, plugging of old gas wells, recreational facilities health and safety repairs, and e-business upgrades.

The Executive is proposing to maintain staffing levels for SFY 2013-14 at 2,916 Full Time Equivalent (FTE) positions, 67 less than in SFY 2012-13. The proposal includes the transfer of

74 FTE positions to ITS and an addition of seven employees for the ongoing e-licensing project.
Similar to last year's Executive Budget Proposal, there are again no appropriations or authorizing language in the Executive's proposed budget to fund the staffing and oversight of high volume horizontal hydro-fracking natural gas extraction and distribution.

Also, largely mirroring a proposal in last year's Executive Budget, the Executive is proposing to eliminate all re-appropriations older than 5 years. The Legislature has requested a full listing of the projects and initiatives that the Executive is looking to defund.

Environmental Protection Fund

The Executive is proposing to increase appropriations for the Environment Protection Fund (EPF) by $19 million over SFY 2012-13 to a total of $153 million. The Executive has requested funds for the following new initiatives:

There is a request for $2 million for an Ulster County Rail Trail through the Municipal Parks category, $5 million for a flood resiliency program through the Water Quality Improvement Project program, and $800,000 to include Mohawk River related projects in the Hudson River Estuary Plan. (See EPF Chart following this section.)

A large portion of the EPF is supported by revenues generated by the Real Estate Transfer Tax (RETT). Other revenues are generated through the sale or lease of State property and interest earnings. The $19 million in new appropriations for the EPF in SFY 2013-14 are to be funded through a transfer of a portion of unclaimed bottle deposits that currently go to the General Fund. However, $4 million of the expected increase in EPF funding in SFY 2013-14 and $8 million each State Fiscal Year thereafter is tied to legislative acceptance of Article VII language proposed by the Executive to increase bottle bill enforcement and regulation.

Article VII Legislation

The Executive is proposing to permanently extend the current Waste Tire fee of $2.50 per tire that currently is scheduled to expire on December 31, 2013. This extension would raise $9 million in additional revenues in SFY 2013-14, and an estimated $24 million every State Fiscal Year thereafter.

The Executive is also proposing the *Cleaner Greener New York Act of 2013*. The act would:

- Redirect $15 million in unclaimed bottle deposits to the EPF;
- Increase bottle bill enforcement efforts;
- Expand and increase criminal and civil penalties connected to alleged bottle bill fraud activities;
- Direct a further $4 million in SFY 2013-14 and $8 million each thereafter from unclaimed deposits to the EPF if the Legislature accepts the new anti-fraud measures;
- And, provide a measure of mandate relief by allowing local governments to retain bottle bill civil penalties that currently go the State.

**Adirondack Park Agency (APA)**

The SFY 2013-14 Executive Budget recommends $5.1 million in All Funds appropriations for the APA, a decrease of $501,000. This decrease results from the elimination of new capital appropriations for the APA. The Executive believes that sufficient re-appropriations remain to meet facility repair and improvement needs. In addition, an employee was transferred from the APA to ITS, and another employee was assigned from the APA to the new Business Services Center administered through the Office of

General Services (OGS). Staffing levels for the APA are reduced by these two positions to 54 FTE positions.

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

The SFY 2013-14 Executive Budget recommends All Funds appropriations of $166,000 for the Conservancy, the same as for SFY 2011-12 and SFY 2012-13. The Conservancy is tasked with promoting the preservation of natural and cultural resources in the Valley, serves as a land trust for acquiring lands important to the Greenway and developing the Hudson River Valley Greenway Trail. The Conservancy is funded entirely from the General Fund.

**The Hudson River Valley Greenway Community Council**

The SFY 2013-14 Executive Budget recommends All Funds appropriations of $321,000 for the Council, the same as for SFY 2011-12 and SFY 2012-13. The Council is comprised of a 25 member advisory board and one staff member that promotes the preservation of natural and cultural resources in the Hudson River Valley. It is funded entirely from taxpayer dollars through the General Fund.

**Olympic Regional Development Authority (ORDA)**

The SFY 2013-14 Executive Budget recommends an All Funds increase of $684,000 for ORDA. General Fund appropriations are recommended to decrease 10.8 percent or $497,000 from SFY 2012-13, but appropriations through the Winter Sports Education Trust special revenue fund would be increased by $1.181 million.

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

## Agriculture and Markets

The SFY 2013-14 Executive Budget recommends All Funds appropriations of $159.4 million for the Department of Agriculture and Markets. This represents a decrease of $3.8 million, or 2.4 percent, from the current fiscal year. Total disbursements are expected to total $97.1 million, a decrease of $10.3 million from SFY 2012-13. The majority of this decline comes from a reduction in capital spending following the completion of the State's new agricultural research facility in Albany.

The Executive proposes a new $40,000 program to enhance hops research at the Geneva Experiment Station. It declines, however, to include some prior year local assistance programs such as Long Island Rabies Resistance and Northern Agricultural Development. A full listing of local assistance programs, including proposed changes, is found in the table at the end of this section.

The Executive recommends eliminating many Department of Agriculture and Markets re-appropriations, and would eliminate items older than five years and some prior Legislative additions.

There is no Ag & Markets Article VII legislation proposed in the Executive Budget.

## Housing and Community Renewal

The SFY 2013-14 Executive Budget recommends All Funds disbursements of $258.5 million for The Division of Housing and Community Renewal, a reduction of $11.1 million from the current year level. This net decrease is reflected in spending changes to several areas detailed below.

State Operations General Fund appropriation savings are achieved through staff transfers to the Office of Information Technology Services (66 FTE positions, $4.7 million) and Business Services Center (5 FTE positions, $221,000).

The Executive recommends decreasing appropriation authority for the Federal Low Income Weatherization Grants by $10 million, from $42.5 million to $32.5 million.

The Executive recommends increasing State Operations Special Revenue Fund spending by $5.8 million for the administration by New York City of the Tenant Protection Unit.

The Executive also proposes a $1 billion (off-budget), five-year House NY plan to preserve, repair, finance and create an estimated 14,300 affordable housing units. The initiative includes, among other initiatives, the acquisition and revitalization of 45 Mitchell Lama affordable housing projects, and the creation and preservation of 5,643 affordable housing units through various community development programs. The Executive proposes to finance the House NY initiative through a combination of bonding and MIF reserves. The Executive does not require Legislative action in order to implement this initiative.

Article VII Legislation:

The Executive recommends **consolidating the Neighborhood and Rural Preservation Programs into one Community Preservation Program** and fund it off-budget with $12 million in excess reserves from the Mortgage Insurance Fund (MIF).

The Executive proposes transferring the administration of the **Homeless Housing Assistance Program (HHAP) from the Office of Temporary and Disability Assistance to the Division of Housing and Community Renewal**.

The Executive also recommends funding the **Rural Rental Assistance Program off-budget** with $20.4 million in excess reserves from the MIF.

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

The SFY 2013-14 Executive Budget recommends All Funds disbursements of $275.9.3 million for the Office of Parks, Recreation and Historic Preservation (Parks), a decrease of $8.8 million. A large percentage of the decrease comes from the transfer of employees to ITS and the failure to include additional funding for $3.1 million in legislative initiatives in the SFY 2012-13 adopted budget.

The Executive anticipates a staffing reduction of 12 employees authorized for SFY 2013-14 from 1,736 to 1,719 positions. These reductions are the result of a transfer of 17 FTE positions to ITS.

The Executive proposes to expand New York Works capital by $50 million through the Parks Budget. Parks would retain $45 million of this new capital for parks and historic properties capital improvements and maintenance, and a total of $5 million would be sub-allocated in equal amounts to Ag & Markets for improvements to the State Fair grounds and to ORDA for capital improvements for the authority's facilities.

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

The SFY 2013-14 Executive Budget recommends All Funds disbursements of $28.2 million for NYSERDA, a decrease of $400,000 from the current fiscal year. This decrease reflects an expected reduction in federal funding that requires a 10 percent state match for nuclear waste cleanup activities at West Valley in Cattaraugus County resulting in a reduced State commitment of $2 million in capital outlays for SFY 2013-14.

The bulk of New York State sourced NYSERDA resources and spending come from four completely off-budget programs that were originally designed to foster renewable innovation, but have recently been increasingly used for energy related community and economic development and related academic research purposes.

NYSERDA, with cooperation from the Department of Environmental Conservation, the New York Power Authority, the Long Island Power Authority, and the Department of Public Service administer and disburse through four programs close to a billion dollars a year in utility rate payer and mandatory imposed surcharges on utility companies a year with no Legislative oversight or input. These programs include:

- The Systems Benefits Charge designed to support research and development in alternative energy areas;
- The Renewable Portfolio Standard created to rapidly increase the State's share of energy production coming from alternative energy sources;
- The Energy Efficiency Portfolio Standard established to decrease the State's total energy footprint;
- and, the Regional Greenhouse Gas Initiative designed to reduce the State's carbon and other greenhouse capturing sources total emissions in the State coming from New York's power generating industry.

Article VII Legislation

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

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

The Executive proposes that an additional $25 million (or a new total of $125 million) in Regional Greenhouse Gas Initiative (RGGI) assessments be allocated to the Cleaner, Greener Communities program to support sustainable community planning and implementation programs throughout the State as recommended by each of the ten Regional Economic Development Councils. A sweep of $15 million in additional (RGGI) funds to the General Fund is contingent upon the Legislature's acceptance of the increased funding for the Cleaner, Greener Communities program.

**Department of Public Service**

The SFY 2012-13 Executive Budget recommends All Funds disbursements of $75.0 million for the Department of Public Service (DPS), an increase of $5.6 million from the current fiscal year. Staffing levels for DPS are expected to remain at 496 FTE positions, despite an anticipated 28 FTE positions to be transferred from DPS to Information Technology Services. These lost positions in DPS will be replaced with an equivalent number of FTE positions to implement the recommendations of the Moreland Commission named by the Governor following super storm Sandy to analyze and the conduct, planning and responses of the State's utilities in responding and recovering from the storm.

The Executive also proposes a new appropriation of $3.3 million to cover anticipated local intervener fund and disbursements resulting from new transmission expansions and upgrades in response to the Governor's Energy Highway initiative announce last year. The Executive Budget also includes $1 million in federal funds for a new program to provide support for consumer advocacy in matters before the New York Independent Service Operator and the Federal Energy Regulatory Commission to argue for mitigations resulting from real or perceived disruptions to the power systems resulting from the privatization of the New York energy markets. This $1 million comes to the State from a settlement of a case introduced in Federal Courts against a private energy company for alleged rate market manipulations.

Article VII Legislation

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

18-a Utility Assessment

The Executive is proposing to extend the "Temporary State Energy and Utility Service Conservation Assessment" (section 18-a of the Public Service Law) for another five State Fiscal Years until March 31, 2019.

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

Because of the timing when affected companies pay the surcharge, adoption of this proposed extension will raise State revenues by $254 million in SFY 2013-14 and an estimated $509 million each of the following State fiscal years.

Moreland Commission

The Executive is proposing legislation to implement major portions of the recommendations of the Moreland Commission that reported its findings on January 3, 2013. The Moreland Commission recommended, and the Executive has introduced legislation to:

- Allow the Public Service Commission (PSC) to administratively impose and recover civil penalties against the officers and corporate entities of energy utilities in operating in the State for alleged violations of their public charters. These penalties could be imposed despite any knowing actions or even awareness of a problem of the company or its officers regarding inadequate service provisions.
- Requiring each energy utility operating in the State to prepare and present to the PSC by December 15 of each year a storm emergency and response plan for PSC review and approval. The PSC would also be authorized to order amendments to the plan and to impose penalties for inadequate planning, implementation and response to future storm related disruptions.

- Each utility would be required to conduct a full scale management and operations audit conducted by non-related full service accounting firm selected by the PSC of the utility's internal and external organizational structures and operations once every five years. Failure to implement the recommendations of the audit without the expressed approval of the PSC could result in a forfeiture of certain assets of the utility in the State, or in extreme cases, the loss of a firm's franchise and warrant to operate in a designated territory in the State or in the State as a whole.
- Such forfeitures could also be imposed if a utility, in the opinion of the PSC and after judicial review, fails to adequately provide service for any reason. Such forfeiture could only occur if steps were taken to ensure that adequate service would not be in any way endangered.
- The Chief Executive Officer would be required to personally warrant that his or her responsibilities ensure that a utility is providing adequate service in the best interest of the State.
- Finally, civil penalties for violations of the one-call procedures for underground operations would be increased. These increased fines are estimated to produce an additional $190,000 a year to the State. In addition, the provisions of the one-call program would be expanded to cover operations related to high volume horizontal hydro-fracking if such activity is authorized in the State.

| Changes in Ag & Markets Local Assistance Programs | | | |
|---|---|---|---|
| **PROGRAM** | **2012-13 Enacted** | **2013-14 Proposed** | **Change** |
| Ag. Child Development Program | 6,521,000 | 6,521,000 | - |
| Cornell Diagnostic Lab | 3,750,000 | 3,750,000 | - |
| Cornell Quality Milk Program | 1,174,000 | 1,174,000 | - |
| Pro-Dairy | 822,000 | 822,000 | - |
| Wine & Grape Foundation | 713,000 | 713,000 | - |
| Integrated Pest Management | 500,000 | 500,000 | - |
| Cornell Johnes Disease | 480,000 | 480,000 | - |
| Cornell Cattle Health Assurance | 360,000 | 360,000 | - |
| Local Fair Assistance | 340,000 | 340,000 | - |
| Cornell Avian Disease | 252,000 | 252,000 | - |
| Apple Growers Association | 206,000 | 206,000 | - |
| Future Farmers of America (FFA) | 192,000 | 192,000 | - |
| Center for Dairy Excellence | 150,000 | 150,000 | - |
| NYS Seed Lab | 128,000 | 128,000 | - |
| Ag in the Classroom | 80,000 | 80,000 | - |
| Association of Ag Teachers | 66,000 | 66,000 | - |
| Golden Nematode/Cornell | 62,000 | 62,000 | - |
| Farm Viability Institute | 1,221,000 | 400,000 | (821,000) |
| Farm Net (Farm Family Assistance) | 484,000 | 384,000 | (100,000) |
| Cornell Rabies | 150,000 | 50,000 | (100,000) |
| Ag Economic Development | 3,000,000 | - | (3,000,000) |
| Northern Ag Development | 500,000 | - | (500,000) |
| Eastern Equine Encephalitis | 150,000 | - | (150,000) |
| Rabies - Long Island | 100,000 | - | (100,000) |
| Tractor Rollover Prevention | 100,000 | - | (100,000) |
| Maple Producers | 100,000 | - | (100,000) |
| Geneva Station - Hops Testing | - | 40,000 | 40,000 |
| **TOTAL** | **21,601,000** | **16,670,000** | **(4,931,000)** |

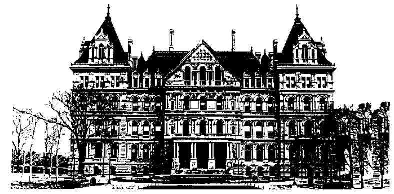
| 2013-14 ENVIRONMENTAL PROTECTION FUND (thousands of dollars) | 12-13 Enacted | 13-14 Proposed | Annual Change |
|---|---|---|---|
| **SOLID WASTE** | | | |
| Landfill Closure/Gas Management | 270 | 250 | (20) |
| Municipal Recycling | 6,435 | 7,000 | 565 |
| Pollution Prevention Institute | 2,100 | 3,250 | 1,150 |
| Secondary Marketing | 1,000 | 1,000 | 0 |
| Natural Resource Damages | 175 | 155 | (20) |
| Pesticide Database | 960 | 1,000 | 40 |
| **Subtotal Solid Waste** | **10,940** | **12,655** | **1,715** |
| **PARKS & REC** | | | |
| Waterfront Revitalization | 11,500 | 12,500 | 1,000 |
| *Inner City/Underserved* | *6,000* | | (6,000) |
| *Hudson and Champlain Docks** | *700* | | (700) |
| *Buffalo Waterfront* | *500* | | (500) |
| *Niagara River Greenway* | *300* | | (300) |
| *Rensselaer County* | *0* | | 0 |
| *Beacon Institute* | *0* | | 0 |
| *Long Island* | *0* | | 0 |
| *Upper Susquehanna Coalition* | *0* | | 0 |
| Municipal Parks | 13,000 | 15,500 | 2,500 |
| Hudson River Park (HRP) | 3,000 | *3,000* | 0 |
| Public Access & Stewardship | 16,000 | 18,000 | 2,000 |
| *DEC* | *15,000* | | (15,000) |
| *OPRHP* | *15,000* | | (15,000) |
| *Belleayre* | *0* | | 0 |
| ZBGA | 9,000 | 9,250 | 250 |
| **Subtotal Parks & Rec** | **52,500** | **58,250** | **5,750** |
| **OPEN SPACE** | | | |
| Land Acquisition | 17,500 | *20,000* | 2,500 |
| *Land Trust Alliance* | *1,575* | | (1,575) |
| *Urban Forestry* | *500* | | (500) |
| Smart Growth (Quality Communities) | 300 | 300 | 0 |
| Farmland Protection | 12,000 | 13,000 | 1,000 |
| Agricultural Waste Management | 700 | 1,000 | 300 |
| Biodiversity Stewardship | 500 | 500 | 0 |
| Albany Pine Bush Commission | 2,000 | 2,000 | 0 |
| Invasive Species | 3,400 | 3,600 | 200 |
| LI Pine Barrens Commission | 1,100 | 1,100 | 0 |
| Oceans & Great Lakes Initiative | 4,728 | 4,750 | 22 |
| Water Quality Improvement Program | 2,932 | 7,945 | 5,013 |
| South Shore Estuary Reserve | 900 | 900 | 0 |
| Non-Point Source Pollution Control | 17,000 | 18,700 | 1,700 |
| Soil & Water Conservation District | 3,500 | 3,500 | 0 |
| Finger Lake-Lake Ontario Watershed | 1,000 | 1,000 | 0 |
| Hudson River Estuary Plan | 3,000 | 3,800 | 800 |
| **Subtotal Open Space** | **70,560** | **82,095** | **11,535** |
| **TOTAL EPF** | **134,000** | **153,000** | **19,000** |

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

**(Thousands of Dollars)**

| Agency | Estimated 2012-13 | Proposed 2013-14 | Change Amount | Percent |
|---|---|---|---|---|
| Adirondack Park Agency | 4,468 | 4,379 | (89) | -1.99% |
| Agriculture and Markets | 107,391 | 97,135 | (10,256) | -9.55% |
| Department of Environmental Conservation | 970,865 | 915,803 | (55,062) | -5.67% |
| Energy Research Development Authority | 28,558 | 28,158 | (400) | -1.40% |
| Housing and Community Renewal | 269,598 | 258,478 | (11,120) | -4.12% |
| Department of Public Service | 69,394 | 74,998 | 5,604 | 8.08% |
| Olympic Regional Development Authority | 3,079 | 4,259 | 1,180 | 38.32% |
| Hudson River Park | 3,816 | 0 | (3,816) | -100.00% |
| Office of Parks, Recreation and Historic Preservation | 284,675 | 275,923 | (8,752) | -3.07% |
| **Totals:** | **1,741,844** | **1,659,133** | **(82,711)** | **-4.75%** |

# Public Protection Fact Sheet



The Executive Budget proposes total All Funds cash disbursements of $2.9 billion an increase of 45 percent from State Fiscal Year (SFY) 2012-13. This increase primarily reflects Federal Disaster Aid.

- **Superstorm Sandy:** The Executive anticipates New York State will receive $30 billion from the $60 billion Federal Disaster Relief Aid Package. Federal reimbursement is expected for all $6 billion of FEMA eligible projects. Total State costs related to Superstorm Sandy after Federal reimbursement is estimated to total $2 million. Of the $30 billion in Federal assistance, the Executive assumes $13.9 billion will flow through the State Budget and $16.1 billion will be distributed directly to recipients. The estimated Sandy relief spending through the State Budget for SFY 2012-13 is $1.5 billion and $5.1 billion in SFY 2013-14. Federal funding is only available through 2017. Project lists and a regional break down of the State appropriated disaster aid was not included in the Executive Budget documents.

- **Prison Closures:** The Executive proposes the closure of two women's correctional facilities: Bayview (Medium Security) located in Manhattan and Beacon (Minimum Security) located in Dutchess County. The Department of Corrections and Community Supervision (DOCCS) is estimated to save $18 million and reduce 430 beds within the prison system. The Executive also proposes to reduce the one-year closure notification requirement to 60 days to allow these two facilities to close in SFY 2013-14.

- **NY SAFE ACT:** The Executive includes $35.9 million to implement the recently enacted gun control legislation - NY SAFE Act. Of this amount $3.2 million is included for additional staff at the Division of State Police and other public safety agencies to administer the five-year recertification of all pistol licenses, and deploy school safety improvement teams. The remaining $32.7 million in capital funding is appropriated for the creation of an electronic database of all current gun licenses.

- **Statewide Interoperable Communications Grant Funding:** The Executive proposes accelerating the 2013 grant cycle by awarding $102 million in grants for statewide interoperable communications in early 2013. Counties had expected to receive an award from the $36 million grant in August of 2012, however grants were never announced. No new Request for Proposal (RFP) is necessary for the 2013 amount of $66 million. In addition, the Executive eliminates $9.3 million in funding for local wireless Public Safety Answering Points (PSAPs) associated with eligible wireless 911 service costs.

- **District Attorney Salaries:** The Executive includes an appropriation of $3.8 million for District Attorney salary reimbursement including $700,000 from SFY 2012-13 and adds $350,000 to fund the April 2013 increase related to Judicial salaries. This additional funding provides mandate relief to counties.

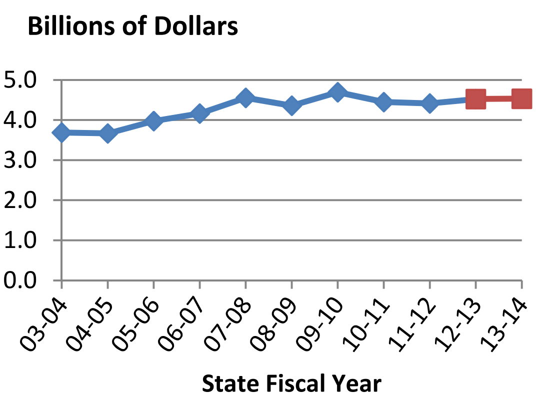
- **State Police Classes:** The Division of State Police will once again resume classes for new recruits. The Division will hold two classes: one in July 2013, and one in January 2014 to train 330 new recruits. This will allow the Division to increase the number of troopers from 4,458 to 4,657 troopers. Funding of $10 million for the new recruit classes is provided including $3.4 million previously funded in SFY 2012-13 through the Federal American Recovery and Reinvestment Act (ARRA) of 2009.

- **Alternatives To Incarceration Programs (ATI):** The Executive proposes combining two existing ATI programs totaling $4.4 million and adding an additional $7 million in funding under a competitive process to target high risk offenders. In addition, two programs: ATI and Drug and Alcohol, totaling $5.1 million are being combined and disbursed via a competitive process.

- **Traffic Adjudication – Article VII:** This proposal amends the process by which traffic adjudication cases are handled by: restricting plea bargaining in cases that involve speeds of more than 20 miles per hour over the posted speed limit, except in circumstances documented by the court; requiring the Division of Motor Vehicles (DMV) to make all plea information available on a driver's record; and authorizing the imposition of $80 in State surcharges on parking violations where drivers are allowed to plea bargain in certain cases. In addition, this proposal would set a minimum fine of $50 on cell phone or texting violations in the first offense and increased fines for subsequent violations. This proposal is estimated to generate $16 million in revenue for New York State in SFY 2013-14 and $25 million in SFY 2014-15.

# PUBLIC PROTECTION

| All Funds Disbursements (Millions of Dollars) | | |
|---|---|---|
| | Estimated SFY 12-13 | Projected SFY 13-14 |
| Cash | 4,524 | 4,531 |
| Annual Growth Rate | 2.5% | 0.2% |
| 5 Year Average Growth (Actual) | | 1.4% |




The State Fiscal Year (SFY) 2013-14 Executive Budget recommends All Funds cash disbursements of $2.9 billion an increase of 45 percent over SFY 2012-13 for all public protection agencies. Major impacts associated in the area of Public Protection are listed in the chart below:

| Executive SFY 2013-14 Public Protection Major Recommendations (in millions) Cost/(Savings) | |
|---|---|
| **Recommendations** | **SFY 2013-14** |
| ***Superstorm Sandy Disaster Aid:*** | |
| Federal Share | $12,650 |
| Federal Special Revenue Funds | $8,000 |
| Capital - To Repair State Facilities and Roads / State Share of Federal Highway Administration projects | $450 |
| Increase in existing Disaster Aid Funding for future storms and storm Sandy | $200 |
| ***Implementation of NY SAFE ACT of 2013:*** | |
| Capital - Gun Pistol Database | $32.7 |
| Personal Service expenses | $3.2 |
| ***Prison Closures:*** | |
| Closure of Bayview Women's Correctional Facility | $12,080 |
| Closure of Beacon Women's Correctional Facility | $6,123 |

***<u>Department of Corrections and Community Supervision</u>***

The Executive Budget includes increases to the Department's SFY 2012-13 Enacted Budget appropriations for personal service in the amount of $325 million associated with collective bargaining agreements for New York State Correctional Officer and Police Benevolent Association (NYSCOBA) and Council 82, and a $1.9 million transfer of funds between personal service and nonpersonal service related to overtime meal expenses. These increases are offset by a decrease of $8.9 million from the transfer of 126 Full-Time Equivalent (FTEs) to the Office of Information Technology Services (OITS).

The Executive recommends $3.1 billion in All Funds appropriations for the Department, a decrease of $216.2 million from SFY 2012-13 levels. Of the total decrease in State Operations Funding:

- $230 million is related to adjustments in appropriations for personal service expense

for NYSCOBA and Council 82 union settlement retro payments;
- $16 million is associated with a savings in overtime expenses;
- $18.1 million from the closure of two correctional facilities: Bayview (Medium Security) located in Manhattan ($12 million) and Beacon (Minimum Security) located in Dutchess County ($6 million); and
- $3.9 million related to the decline of approximately 800 inmates in the current year.

These decreases are offset by increases of:

- $22.8 million related to adjustments for attrition and fill levels;
- $18.1 million related to a payment of $775 to certain employees resulting from the most recent contract negotiations;
- $11.1 million from the expiration of the Deficit Reduction Plan;
- $4 million for incremental salary adjustments and performance advances; and
- $3.5 million to reinvest 100 FTEs within the prison system.

The SFY 2013-14 Executive Budget recommends a total decrease of $26 million in Capital Funding as a result of DOCCS's reevalutation of capital needs under the following accounts: Environmental Protection or Improvement, Preservation Maintenance of Assets, and Program Improvement or Changes. This decrease is offset by an increase of $12 million in Preservation of Facilities related to various electrical, heating, window and roof repair and replacement projects; and $4 million in Environmental Protection funding related to upgrades in water and wastewater systems, petroleum bulk storage projects and the decommissioning of a dam.

Prison Closure Savings

The Executive proposes the closure of two women's correctional facilities: Bayview (Medium Security) located in Manhattan and Beacon (Minimum Security) located in Dutchess County. DOCCS is estimated to save $18.1 million and reduces bed capacity by 430 beds within the prison system. The potential sale of Bayview could produce an additional $44 million in SFY 2014-15.

The Executive proposes no layoff as employees would have the opportunity to transfer to vacant positions within DOCCS or other agencies. The closure of Bayview and Beacon correctional facilities will affect 273 FTEs (Bayview 164 FTEs; Beacon 109 FTEs). The Executive states that one of the primary reasons for the closure of these two facilities is that both are the least efficient within the prison system. The Executive bases this on, the total staff costs per inmate ($74,385 Bayview; $69,863 Beacon) compared to a benchmark of $34,193 for the most efficient facilities. In addition, Bayview was evacuated due to Superstorm Sandy and remains vacant. Approximately $1.5 million in Federal FEMA funds will be utilized to restore the facility to its previous condition.

The Executive also proposes Article VII legislation to reduce the one-year closure notification requirement to 60 days to allow the Bayview and Beacon facilities to close in SFY 2013-14. Language is also included within the appropriations.

The Executive proposes Article VII legislation to permit the transfer of the Fulton Correctional Facility, which closed in SFY 2011-12, to the Thomas Osborne Memorial Fund. Osborne would use the facility for re-entry and alternative to incarceration programs within the community of the Bronx. The Empire State Development Corporation, acting as real estate agent on behalf of the State, would be authorized to make such transfer, upon an application by Osborne. The Executive estimates that the transfer of this property would save the State approximately $250,000 annually related to maintenance and security of the facility. The Market value of this property has not been determined.

### ***Division of Criminal Justice Services (DCJS)***

#### DCJS SFY 2012-13 Enacted Adjustments

The Executive Budget includes adjustments to the Division's SFY 2012-13 Enacted Budget appropriations related to the transfer of $8.8 million (117 FTEs) to the Office of Information Technology Services (OITS). This funding is related to the Executive proposal to consolidate information technology personnel into a single agency; $1.1 million transfer to the Division of State Police related to DNA Database Expansion funding of 2012; and $235,000 transfer between General Fund personal service and nonpersonal service funding related to DNA Database Expansion costs in 2012.

#### DCJS SFY 2013-14 Executive Budget Recommendations

The Executive Budget recommends $265 million in All Funds appropriations for DCJS, an increase of $4 million from SFY 2012-13 levels. This primarily reflects an increase of $3 million in Special Revenue spending from the Fingerprint Identification and Technology Account, a portion is achieved from the Executive using reappropriation authority.

Personal service spending is increased by $235,000 of which $144,000 is associated with payment of $775 to certain employees resulting from the most recent contract negotiations and $496,000 from the expiration of the Deficit Reduction Plan; $910,000 from the annualization of 35 FTEs in various Federal programs; and $135,000 in personal service and nonpersonal service costs associated with the DNA Databank Expansion of 2012. These increases in General Fund spending are offset by $1.4 million in savings of which $1.1 million is related to vacancy saving through attrition, and $350,000 in rent expenses.

#### Traditional Criminal Justice Aid to Localities Program Funding

The Executive proposes an increase of $1.8 million in General Fund Local Assistance and Probation Programs, primarily in the District Attorney Salary Reimbursement appropriation. The Executive eliminates the $700,000 Legislative appropriation, and combines it with the original District Attorney Salary Reimbursement appropriation and adds $350,000 to fund the April 2013 increase related to Judicial salaries. This additional funding provides mandate relief to counties.

The Executive proposal combines two existing Alternative to Incarceration (ATI) programs totaling $4.4 million and adding an additional $7 million for $11.4 million in funding under a competitive process to target high risk offenders. This is being accomplished by replacing $7 million in Federal Byrne Justice Assistance Grant (JAG) American Recovery and Reinvestment Act (ARRA) with General Fund spending. In addition, two programs: ATI and Drug and Alcohol funding of $5.1 million is being combined and allocated through a competitive process.

This increase is offset by the elimination of Legislative funding of $4.5 million and $1 million in additional funding for the New York Defenders Association. The changes to local assistance are outlined in the chart on the following page:

| SFY 2013-14 Criminal Justice - Aid to Localities Programs | | | |
|---|---|---|---|
| **Programs** | **SFY 2012-13 Enacted Amount** | **SFY 2013-14 Executive Proposed Amount** | **Change** |
| Aid to Prosecution | $10,680,000 | $10,680,000 | ***$0*** |
| New York State Prosecutors Training Institute | $2,304,000 | $2,304,000 | ***$0*** |
| Witness Protection Program | $304,000 | $304,000 | ***$0*** |
| District Attorney Salary Reimbursement | $2,812,000 | $3,862,000 | ***$1,050,000*** |
| Additional District Attorney Salary Reimbursement | $700,000 | $0 | ***($700,000)*** |
| Special Narcotics Prosecutor | $825,000 | $825,000 | ***$0*** |
| Crime Laboratories | $6,635,000 | $6,635,000 | ***$0*** |
| Westchester County Policing Program | $1,984,000 | $1,984,000 | ***$0*** |
| Soft Body Armor | $513,000 | $513,000 | ***$0*** |
| Drug Diversion | $618,000 | $618,000 | ***$0*** |
| Re-entry Task Forces | $3,063,000 | $3,063,000 | ***$0*** |
| Operation IMPACT | $15,219,000 | $15,219,000 | ***$0*** |
| Aid to Defense | $5,507,000 | $5,507,000 | ***$0*** |
| New York State Defenders Association | $1,089,000 | $1,089,000 | ***$0*** |
| Additional New York State Defenders Association | $1,000,000 | $0 | ***($1,000,000)*** |
| DNA | $2,000,000 | $2,000,000 | ***$0*** |
| Probation Aid | $44,876,000 | $44,876,000 | ***$0*** |
| Alternatives to Incarceration (ATI) | $3,245,000 | $0 | ***($3,245,000)*** |
| Drug and Alcohol Treatment | $1,914,000 | $0 | ***($1,914,000)*** |
| ****New** Combined ATI and Demonstration Programs | $0 | $5,159,000 | ***$5,159,000*** |
| Demonstration Programs | $3,973,000 | $0 | ***($3,973,000)*** |
| Supervision and Treatment | $469,000 | $0 | ***($469,000)*** |
| ****New** Combination of Demo Programs/Supervision of Treatment | $0 | $4,442,000 | ***$4,442,000*** |
| ****New** ATI (to be combined with Demo/Supervision of Treatment) | $0 | $7,000,000 | ***$7,000,000*** |
| Temporary Assistance For Needy Families (TANF) 200% | $2,622,000 | $2,622,000 | ***$0*** |
| Probation Violation Centers | $1,000,000 | $1,000,000 | ***$0*** |
| *Family Court Domestic Violence | $600,000 | $0 | ***($600,000)*** |
| *Training of Law Enforcement Domestic Violence | $500,000 | $0 | ***($500,000)*** |
| *Anti-Drug/Anti-Crime | $450,000 | $0 | ***($450,000)*** |
| *NYC CO Stab Resistant Gloves | $250,000 | $0 | ***($250,000)*** |
| *Alternative to Incarceration Not-for-Profit | $1,200,000 | $0 | ***($1,200,000)*** |
| *Prisoners Legal Services | $500,000 | $0 | ***($500,000)*** |
| *Vera Institute of Justice: Common Justice | $200,000 | $0 | ***($200,000)*** |
| *Greenpoint Outreach Domestic and Family Intervention | $150,000 | $0 | ***($150,000)*** |
| *Legal Services NYC - Dream Clinics | $150,000 | $0 | ***($150,000)*** |
| *NYS Immigrant Action Fund | $150,000 | $0 | ***($150,000)*** |
| *Make the Road | $150,000 | $0 | ***($150,000)*** |
| *Consortium of the Niagara Frontier | $100,000 | $0 | ***($100,000)*** |
| *John Jay College: Prison to College Pipeline | $100,000 | $0 | ***($100,000)*** |
| TOTAL | ***$117,852,000*** | ***$119,702,000*** | ***$1,850,000*** |

*Legislative adds totaled $4.5 million in SFY 2012-13.

**Executive proposes combining two existing ATI programs totaling $4.4 million and adding an additional $7 million in funding under a competitive process to target high risk offenders. In addition, two programs: ATI and Drug and Alcohol, totaling $5.1 million are being combined and would require a competitive process. The Executive proposes that of the Byrne/JAG ARRA funds expiring in 2013 only $7 million is included in new General Fund spending specifically for ATI programs.

Federal local assistance funding is increased by $290,000 associated with $1.6 million in the Federal Edward Byrne JAG Program; and $250,000 in Federal Violence Against Women Program (VAWA). These increases are offset by the elimination of $1.5 million in Legislative funding for Byrne/JAG programs.

Legal Services Assistance Account

The Executive eliminates Legislative initiatives for civil and criminal legal services totaling $2.6 million, $650,000 for domestic violence civil or criminal legal services, and $600,000 for Indigent Parolee Program. Level funding is included for Aid to Defense, Aid to Prosecution, the District Attorney and Indigent Attorney Loan Forgiveness Program, and Statewide Indigent Legal Services For Persons Leaving Prison Program.

The Executive proposes new funding of $3.7 million for civil or criminal legal services, including legal services for victims of domestic violence. Funding would be distributed pursuant to a plan submitted by DCJS and approved by the Director the Division of the Budget (DoB). Proposed spending from the Legal Services Assistance Account is outline in the chart below:

| SFY 2013-14 Executive Proposed Funding Under the Legal Services Assistance | | | |
|---|---|---|---|
| **Programs** | **Enacted Amount** | **Executive Proposed Amount** | **Change** |
| Aid to Prosecution | $2,592,000 | $2,592,000 | ***$0*** |
| Aid to Defense | $2,592,000 | $2,592,000 | ***$0*** |
| District Attorney and Indigent Legal Attorney Loan Forgiveness Program | $2,430,000 | $2,430,000 | ***$0*** |
| Civil/Criminal Legal Services; Domestic Violence Civil/Criminal Legal Services (Legislative Items) | $3,600,000 | $0 | ***($3,600,000)*** |
| Indigent Parole Program (Legislative Item) | $600,000 | $0 | ***($600,000)*** |
| Statewide Indigent Legal Services for persons leaving prison (Legislative Item) | $1,000,000 | $1,000,000 | ***$0*** |
| **New** Civil/Criminal Legal Services; Domestic Violence Legal Services | $0 | $3,700,000 | ***$3,700,000*** |
| TOTAL | $12,814,000 | $12,314,000 | ($500,000) |

Criminal Justice Improvement Account

The Executive proposes a transfer from the Special Revenue Criminal Justice Improvement Account (CJIA) to the General Fund of $22 million, a decrease of $4 million from SFY 2012-13. In addition, the Executive eliminates $1.2 million in Legislative domestic violence programs funded through the CJIA.

The Executive includes a new Special Revenue appropriation of $100,000 for Drug Enforcement Task Forces. This is funded by eliminating the 2008 reappropriation of $392,000.

Article VII Provisions

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

- Extends for one year the formula distribution of certain monies recovered by District Attorneys in New York City, which is set to expire on March 31, 2013. The Executive anticipates $100 million in revenue will be generated for the State in SFY 2013-14.

- Extends for two years various criminal justice programs set to expire in 2013; makes six provisions of law permanent and allow the Community Treatment Facilities Program, to expire.

- Ratifies the National Crime Prevention and Privacy Compact Act of 1998 to allow New York State to participate in the National Fingerprint File (NFF) Program. Funding of $300,000 is provided through a Federal Grant and DCJS would also utilize existing State funds from its 2013-14 budget if enacted into law.

***Division of State Police***

The Executive Budget includes adjustments to the Division's SFY 2012-13 Enacted Budget appropriations to transfer $5.6 million to the Office of Information Technology Services (OITS) for the consolidation of information technology personnel into a single agency; and transfer $1.1 million from the Division of Criminal Justice Services (DCJS) related to the DNA Database Expansion funding of 2012.

The Executive Budget recommends $732 million in All Funds appropriations for the Division, an increase of $42.9 million from SFY 2012-13 levels. This primarily represents an increase in Capital funding of $51.7 million, including $32.7 million in new capital funding to implement the NY SAFE Act of 2013, for creation of a pistol permit database; $12.5 million for the purchase of a new helicopter to replace the one destroyed in Batavia; and $7 million to combine the current Troop T Zone Headquarters in Valley Stream and Substation in Lake Success into one facility in Hempstead.

State Operations General Fund spending increases by $47.4 million. The increase includes:

- $35.7 million in personal service costs (227 FTEs) from the transfer of the New York State Thruway Authority Account (Troop T) costs from the Thruway Authority to the State's General Fund;

- $2.5 million associated with nonpersonal service expenses previously paid by the Thruway Authority for Troop T;

- $3.4 million in costs associated with the loss of Federal American Recovery and Reinvestment Act (ARRA) of 2009 funds which were used for 2012 training classes;

- $3.2 million in personal service (25 FTE's) costs associated with the implementation of the NY SAFE Act of 2013, funds can be transferred to the Division of Criminal Justice Services (DCJS) and the Division of Homeland Security and Emergency Services (DHSES) if needed;

- $2.2 million for the purchase of Patrol Vehicles and lease costs; and

- $190,000 from the annualization of the DNA Database Expansion of 2012.

Federal Funds are reduced by $1 million under the Federal National Institute of Justice appropriation. The Executive further decreases Special Revenue Funds by $55.2 million from the elimination of the Division's Policing the Thruway Program. The Thruway Policing Program is proposed to be funded by the State.

Presently the Thruway Authority pays for this service.

Article VII Provisions

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

- Amends the way traffic adjudication cases are handled by: restricting plea bargaining in cases that involve 20 miles over the posted speed limit, except in circumstances documented by the court; and authorizes the imposition of $80 in State surcharges on parking violations where drivers are allowed to plea bargain in certain cases. In addition, this proposal sets a minimum fine of $50 on cell phone or texting violations in the first offense and increased fines for subsequent violations. This proposal is estimated to generate $16 million in revenue for New York State in SFY 2013-14 and $25 million in SFY 2014-15.

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

The Executive Budget includes the transfer of existing funding of $835,000 (53 FTEs) to the Office of Information Technology Services (OITS) for the consolidation of information technology personnel into a single agency.

The Executive Budget provides $13.7 billion in All Funds support for the Division, an increase of $12.2 billion, mainly attributable to changes in Aid to Localities funding. An increase of $12.6 billion in new Federal Disaster Special Revenue Aid to Localities funding is included related to disaster assistance, specifically to allow for reimbursement of costs associated with Superstorm Sandy, including amounts that would flow through the State to public authorities, local governments and not-for-profit organizations. The Executive increases an existing disaster assistance appropriation by $200 million for a total of $350 million for the State share of any future disaster, but specifically for Superstorm Sandy.

These increases are offset by a reduction of $9.3 million in funding for local wireless Public Safety Answering Points (PSAPs) associated with eligible wireless 911 service costs. This program was to have been repealed on July 1, 2010. The Executive continued funding of $9.3 million in fiscal years 2010, 2011, and 2012 for this program.

The Executive proposes a new $450 million Capital Disaster Assistance Program for costs associated with restoring State properties damaged as a result of Superstorm Sandy. This funding would be available to advance funding in anticipation of reimbursement under the Federal Stafford Act.

The Division's State Operations Funding is increased by $2.1 million related to $1.3 million for personal service costs attributable to incremental salary increases, expiration of the Deficit Reduction Plan, payment of $775 to Civil Service Employee Association (CSEA) employees resulting from the most recent contract negotiations; and $807,000 for the State's share of Disaster Assistance Temporary Hourly Reps.

Interoperable Communications Grant

The Executive proposes accelerating the 2013 grant cycle for Interoperable Communications Grants by awarding $102 million in grants in early 2013. Counties had expected to receive an award from the $36 million grant in August of 2012, however grants were not announced. No new Request for Proposal (RFP) is necessary for the 2013 amount of an additional $66 million.

**Public Security and Emergency Response (Formerly – Homeland Miscellaneous)**

The SFY 2013-14 Executive Budget proposes a new $8 billion appropriation associated with Superstorm Sandy recovery expenses and to mitigate the impact of future natural or man-made disasters. Monies would be made available, to be used to implement Superstorm Sandy recovery or disaster mitigation and preparedness programs authorized by the State or Federal government, including payments to local governments, public authorities, not-for-profit corporations, businesses and individuals. Project lists and a regional break down of the State appropriated disaster aid was not included in the Executive Budget documents.

Article VII Provisions

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

- Intermutual Aid Program (IMAP) for Disaster Response for Schools: The SFY 2012-13 Enacted Budget included legislation to allow local governments to better prepare for and respond to disasters. The Legislature included provisions to direct the Division of Homeland Security and Emergency Services (DHSES) to evaluate and make recommendations related to including school districts and Boards of Cooperative Educational Services (BOCES) as participants within the IMAP program.

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

The Executive Budget recommends $115 million in All Funds support, a decrease of $63.1 million from SFY 2012-13 levels. This decrease is attributable to $63.2 million in Capital Funds related to State and Federal appropriations from SFY 2012-13 ($53.2 million Federal appropriation; and $10 million State appropriation) associated with the restoration of the National Guard Armory in Harlem, New York and the rehabilitation of a combined support and maintenance shop located in Stormville, Dutchess County. Both State and Federal Capital funding for these projects are reappropriated in the proposed SFY 2013-14 Executive Budget.

This decrease is offset by an increase of $212,000 in General Fund spending comprised of $145,000 for personal service incremental salary increases, expiration of the Deficit Reduction Program and Civil Service Employee Association payment of $775 to certain employees resulting from the most recent contract negotiations; and $67,000 in utilities and leases increases.

General Fund spending is offset by $199,000 in savings: $21,000 from the continuation of the disposition of Hoosick Falls, Riverhead, Schenectady, Poughkeepsie and Whitehall Armories; and $178,000 in efficiencies in travel, lodging, supplies and materials procurement expenses by the Empire Shield Task Force, an operational force of National Guardsmen that augment security forces at New York transit systems, airports and nuclear power plants. The Executive makes a technical correction in the Federal Military Readiness Program to align appropriations accordingly between personal service and non personal service.

***Interest on Lawyers Account***

The SFY 2013-14 Executive Budget proposes $46.8 million, same as the SFY 2012-13 levels.

The Executive Budget recommends level funding of $45 million in appropriation spending authority for local grants. The actual disbursement amounts depend on the interest generated by the trust accounts to fund the program. As of December 31, 2012 the account balance was $6 million. Seven million dollars in grants were disbursed in SFY 2012-13.

### ***Office for the Prevention of Domestic Violence***

The SFY 2013-14 Executive Budget proposes an increase of $220,000 in state operations funding. This represents an increase of $100,000 in personal service and $120,000 in non-personal service associated with domestic violence prevention legislation enacted last year. The funding would be used for the creation of the new Statewide Fatality Review Team. The Team would be charged with examining trends and patterns of domestic violence; educate the public, service providers and policymakers on domestic violence fatalities and recommend polices, practices, procedures and services to reduce and prevent domestic violence fatalities. The team would consist of 26 members and there are no new positions associated with this proposal.

The Executive also modifies appropriation language at the request of the Western New York Family Violence Clinic and Regional Resource Center. Appropriation language would be changed to the Women Children and Social Justice Center Clinic and Regional Resource Center.

### ***Office of Indigent Legal Services***

The Executive Budget recommends $78.5 million in All Funds support for the Office, a decrease of $4 million from SFY 2012-13 levels. This decrease reflects the elimination of a Legislative add to provide additional funding to upstate counties for case load relief associated with indigent legal services.

### ***Miscellaneous – Pilot Program for Counsel at Arraignment***

The SFY 2013-14 Executive Budget includes a Miscellaneous All State Local Assistance $3 million appropriation for a pilot program for counsel at arraignment. Funding would be provided from the Indigent Legal Services Fund. It is unknown at this time what agency would administer this program, and where the pilot program would be located.

### ***Office of Victim Services***

The SFY 2013-14 Executive Budget recommends maintaining All Funds appropriations of $76.4 million. This represents no growth in spending from SFY 2012-13 levels. The Executive proposes an increase of four positions, to assist in the processing of victim claims. No new funding is requested for these positions.

### ***State Commission of Corrections***

The SFY 2013-14 Executive Budget recommends maintaining All Funds appropriations of $2.9 million.

### ***Department of Law***

The SFY 2013-14 Executive Budget reflects the Department of Law's All Funds spending authority request of $220.6 million. This is an increase of $5.3 million, or 2.5 percent, from SFY 2012-13. The increase includes a $4.8 million increase in funding for the Medicaid Fraud Control Unit and $3.2 million increase towards the existing Economic Justice Unit, offset by smaller cuts to other programs.

### ***Judiciary***

The SFY 2013-14 Executive Budget reflects the Unified Court System's All Funds spending authority request of $2.6 billion. This represents an increase of $94.2 million, or 3.7 percent. Courts of Original Jurisdiction would receive a decrease of $14.3 million, or -0.9 percent, due primarily to reductions in nonpersonal services.

General State Charges would increase $73.4 million, or 12.5 percent. This increase is the result of an additional $86.2 million for obligations to the New York State Employees' Retirement System. Social Security, Medicare, health insurance, and employee benefit funds would receive a reduction in appropriations. Social Security and Medicare costs would decrease due to attrition savings and expenditure-based reductions. Insurance employee benefit funds are expected to decrease due to a new anticipated credit from the federal government for providing retirees prescription drug coverage.

Judiciary Wide Maintenance Undistributed appropriations would increase by $15 million from $25 million to $40 million. This 60 percent increase is designated for additional resources to nonprofit organizations that provide civil legal services for indigent persons as part of the Civil Legal Services Program.

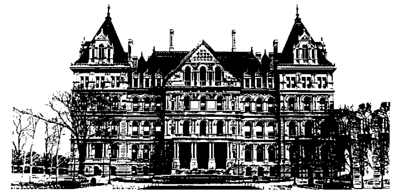
### ***Judicial Commissions***

The Executive Budget reflects the Judicial Commission's All Funds budget request of $5.4 million for SFY 2013-14. Spending authority would remain unchanged from SFY 2012-13. One additional employee would be funded from administrative savings actions.

Judicial Commissions have traditionally been represented under a single section in the budget. For SFY 2013-14, the Executive Budget breaks the funding into three sections: The Commission on Judicial Conduct ($5.4 million), Commission on Judicial Nomination ($30,000), and the Judicial Screening Committees ($38,000). Each individual program would receive the same level of funding as in SFY 2012-13.

| Public Protection<br>Proposed Disbursements - All Funds<br>(Thousands of Dollars) | | | | |
|---|---|---|---|---|
| **Agency** | **Estimated 2012-13** | **Proposed 2013-14** | **Change Amount** | **Percent** |
| Department of Corrections and Community Supervision | 3,034,908 | 2,863,778 | (171,130) | -5.64% |
| Division of Criminal Justice Services | 282,569 | 249,363 | (33,206) | -11.75% |
| Division of State Police | 703,211 | 701,258 | (1,953) | -0.28% |
| Office of Victim Services | 67,197 | 67,406 | 209 | 0.31% |
| Commission of Correction | 2,672 | 2,672 | 0 | 0.00% |
| Judicial Conduct / Judicial Nomination Commissions and Judical Screening Committees | 5,354 | 5,452 | 98 | 1.83% |
| Division of Military and Naval Affairs | 95,996 | 96,145 | 149 | 0.16% |
| Division of Homeland Security and Emergency Services | 370,335 | 416,157 | 45,822 | 12.37% |
| Disaster Assistance | 1,983,224 | 5,131,939 | 3,148,715 | 158.77% |
| Office of Indigent Legal Services | 62,244 | 62,900 | 656 | 1.05% |
| Office for the Prevention of Domestic Violence | 2,098 | 2,298 | 200 | 9.53% |
| **Totals:** | **6,609,808** | **9,599,368** | **2,989,560** | **45.23%** |
| Judiciary | 2,551,700 | 2,662,000 | 110,300 | 4.32% |
| Department of Law | 215,198 | 217,202 | 2,004 | 0.93% |

# Economic Development: Fact Sheet



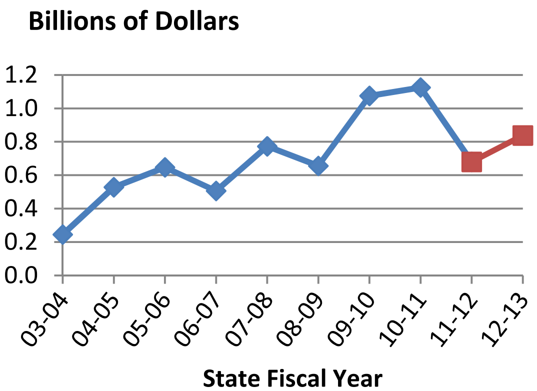
- The SFY 2013-14 Executive Budget proposes total All Funds spending increases of $158.8 million, an increase of 23.4 percent over the current year.
- General Fund spending on traditional economic development programs would be decreased by $20.9 million, or 12.2 percent over SFY 2012-13.
    - Funding for the Jobs Now program would be eliminated.
    - A portion of the decrease is attributable to the consolidation of back office services, especially IT services, throughout all Executive agencies.
- General Fund Local Assistance spending would decrease by $46.3 million, or 35.1 percent over SFY 2012-13
    - Besides eliminating Jobs Now funding, funding for the Economic Development Fund would be reduced by $19.2 million, to $31.2 million.
    - The Gateway Information Centers in Binghamton and Beekmantown would be funded at SFY 2012-13 levels
- Tourism funding would increase by $3.5 million, or 28.1 percent over SFY 2012-13
    - Funding for the I ♥ New York advertising program would decrease by $330,000 to $2.5 million, to reflect the elimination of the additional funding added by the Legislature in SFY 2012-13.
    - The tourism matching grants program would be reduced by $170,000.
    - $5 million in new funding would be provided for the Market NY program where the State's tourism regions would compete for $5 million in tourism marketing funds.
    - $2 million in new funding would be provided for the Taste NY Program where retail facilities would be established to promote New York products.
- The Executive Budget proposes an additional $220 million in funding to be allocated by the regional economic development councils as follows:
    - $150 million in new capital funding
    - A set aside of an additional $70 million in Excelsior Jobs Program tax credits ($7 million per year for ten years) and
- The Executive Budget proposes another $100 million in funding for the Buffalo Region Innovation Cluster:
    - $75 million in new capital funding and $25 million in Excelsior Jobs Program tax credits ($2.5 million per year for ten years) and

  - Funding would be provided at the recommendation of the Western New York regional council

- An additional $1.05 billion in capital spending is proposed for other capital programs, as follows:
  - $56.1 million for Western New York football,
  - $55 million for SUNY 2020,
  - $55 million for CUNY 2020,
  - $165 million for the New York Works Economic Development Fund, and
  - $720 million for transformative economic development projects
- The proposed capital funding for transformative economic development projects would be allocated as follows:
  - $360 million at the discretion of the regional economic development councils and
  - $360 million at the discretion of the New York Works task force.
  - $100 million would be spent in SFY 2013-14
- The Executive budget proposes the creation of innovation hot spots would create "tax free" innovation hot spots around the State in order to initiate collaboration between the State's higher education institutions and businesses that are in their formative stages.
  - Five hot spots would be created in SFY 2013-14 and five more would be created in SFY 2014-15.
  - There would be one hot spot in each economic development region.
  - The regional economic development councils would approve the hot spots.
  - The Department of Economic Development would develop criteria for and designate the hot spots and the operators of the hot spots.
  - Each university or affiliated entity that operates a hot spot would receive $500,000 in state funding for operating costs.
  - Businesses that locate within the hot spots would benefit from sales tax exemptions and business income exclusions, however, businesses would still be subject to minimum taxes.

# ECONOMIC DEVELOPMENT

| All Funds Disbursements (Millions of Dollars) | Estimated SFY 12-13 | Projected SFY 13-14 |
|---|---|---|
| Cash | 680 | 838 |
| Annual Growth Rate | -39.6% | 23.2% |
| 5 Year Average Growth (Actual) | | 16.9% |




The SFY 2013-14 Executive Budget recommends an All Funds cash disbursement increase of $158.8 million or 23.4 percent for all economic development agencies over SFY 2012-13. This increase is mainly attributable to increased spending from capital appropriations enacted in SFY 2012-13 including funding for SUNY 2020, the College of Nanoscale Science, and the Regional Economic Development Council awards.

General Fund spending for economic development is projected to decrease by $20.9 million, or 12.2 percent from SFY 2012-13. This decrease is attributable to the consolidation of IT services included in the SFY 2012-13 enacted budget and the elimination in spending for the Jobs Now program.

***Department of Economic Development***

The SFY 2013-14 Executive Budget recommends All Funds appropriations of $79.3 million for the Department of Economic Development (DED), an increase of $3.3 million or 4.3 percent. This increase is primarily the result of new funding for the proposed Taste NY program and the Innovation Hot Spots program offset by the elimination of legislative additions from SFY 2012-13.

**DEPARTMENT OF ECONOMIC DEVELOPMENT FUNDING**
(Thousands of $)

| Program | 2012-13 Funding | 2013-14 Funding | Difference |
|---|---|---|---|
| Administration | 4,879 | 3,720 | (1,159) |
| Economic Development | 15,306 | 17,670 | 2,364 |
| Marketing and Advertising | 14,635 | 18,135 | 3,500 |
| High Technology Program | 33,032 | 31,599 | (1,433) |
| Research Development | 343 | 343 | - |
| Training and Business Assistance | 7,470 | 7,470 | - |
| Clean Air | 385 | 385 | - |
| **TOTAL DED FUNDING** | **76,050** | **79,322** | **3,272** |

All Funds appropriations for the Administration Program, which supports all of DED's administrative functions, are proposed to be reduced by approximately $1.2 million. This reduction reflects the savings associated with the shared services initiative included in the SFY 2012-13 budget. This also reflects a transfer of the business service center from DED to OGS.

As part of the Executive's initiative to increase Minority and Women Owned Business Enterprise (MWBE) participation in the State, a $1.6 million appropriation was provided in the SFY 2012-13 Enacted Budget. Of this funding, a portion ($600,000) was used to establish the MWBE manufacturing contracting center. Recurring costs for this center are estimated at $249,000, resulting in reduced spending of $351,000.

The SFY 2013-14 Executive Budget also recommends a $3 million appropriation for a second MWBE disparity study which is statutorily due by February 15, 2016. The first disparity study was completed in 2010 at a cost of $1.7 million.

All Funds appropriations for the Marketing program are proposed at $18.1 million, increasing by $3.5 million. Funding for the I ♥ New York advertising program decreases by $330,000 to $2.5 million, reflecting the elimination of the Legislative addition in SFY 2012-13.

The Executive Budget proposal would create the Market NY program by which the State's tourism regions would compete for $5 million in tourism marketing funds. DED would develop and administer the program.

In addition, the Executive Budget proposal would create the Taste-NY program to establish retail facilities to promote New York products, including alcoholic beverages. These retail facilities would be located at facilities owned by the State or one of its authorities, such as the Port Authority, the Metropolitan Transportation Authority, or the Thruway Authority and would predominantly sell New York products. All products sold at these venues would be exempt from the sales tax.

The Executive anticipates creating five of these retail facilities in SFY 2013-14, although the legislation does not impose a limit. Businesses would contract with the State to operate the facilities however, other details of the program are unclear. DED would also provide $2 million dollars to implement this program but, there are no details as to how these funds are to be spent.

## ***Empire State Development Corporation (ESDC)***

### Local Assistance

As shown in the table on the following page, the SFY 2013-14 Executive Budget recommends local assistance appropriations of $42.9 million, a decrease of $46.7 million or 52.1 percent, from SFY 2012-13. This decrease reflects the elimination of funding for the Jobs Now Program, a reduction of $19.2 million for the Economic Development Fund program, and the elimination of legislative additions. These decreases are offset by an increase of approximately $1.5 million, from $2.9 million to $4.4 million for operating costs of the Buffalo Bills.

### Capital Funding

The SFY 2013-14 Executive Budget recommends $1.3 billion in new capital spending, an increase of $571 million from SFY 2012-13 enacted budget. The new capital funding would be allocated as follows:

- $110 million for the SUNY 2020 Challenge Grant Program ($55 million SUNY and $55 million CUNY),
- $150 million for regional economic development councils,

- $56 million for capital improvements at the Ralph Wilson Stadium,
- $165 million for the New York Works Economic Development Fund,
- $75 million for the Buffalo Regional Innovation Cluster, and
- $720 million for transformative economic development projects.

Similar to the funding provided in SFY 2012-13, the Executive proposes to set aside $25 million in Excelsior Jobs Program tax credits ($2.5 million per year over ten years) in addition to the $75 million in capital for the Buffalo Regional Innovation Cluster. This funding would be a second round of the total "$1 billion" in economic development funding the Executive announced in SFY 2012-13 for the Buffalo area. Projects supported by this funding would be subject to recommendation by the Western New York regional economic development council.

***Transformative Projects Program***

Besides the capital funding appropriated through the Empire State Development Corporation, the Executive Budget proposes $720 million in capital funding for transformative economic development projects, of which $100 million would be spent in SFY 2013-14. Of this $720 million, $360 million would be allocated by ESDC and the regional economic development councils. The remaining $360 million would be allocated pursuant to capital planning criteria set by the New York Works task force. There is no statutory language establishing the criteria and/or programs by which any of these funds would be spent. The criteria would be established by the Executive and ESDC.

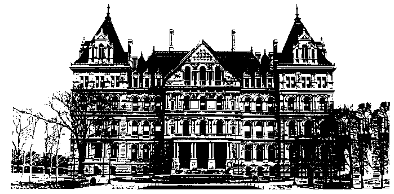
| EMPIRE STATE DEVELOPMENT CORP. FUNDING<br>(Thousands of $) | | | |
|---|---|---|---|
| Program | 2012-13 Funding | 2013-14 Funding | Difference |
| **Local Assistance** | | | |
| Jobs Now | 16,200 | - | (16,200) |
| Economic Development Fund | 50,400 | 31,180 | (19,220) |
| Military Base Retention | 5,000 | - | (5,000) |
| Community Development Financial Institutions | 1,495 | 1,495 | - |
| Entrepreneurial Assistance | 1,764 | 1,764 | - |
| Minority & Women Owned Business Development | 1,000 | 635 | (365) |
| Western NY Football | 2,940 | 4,407 | 1,467 |
| Urban and Community Development | 7,404 | 3,404 | (4,000) |
| INDEX | 1,012 | - | (1,012) |
| Other Local Assistance Programs | 2,400 | - | (2,400) |
| **Total Local Assistance Funding** | **89,615** | **42,885** | **(46,730)** |
| **Capital** | | | |
| SUNY 2020 Challenge Grants | 110,000 | 110,000 | - |
| SUNY College for Nanoscale and Science Engineering | 250,000 | - | (250,000) |
| New York Racing | 25,000 | - | (25,000) |
| Economic Development Fund | 20,000 | - | (20,000) |
| Western NY Football (Ralph Wilson Stadium) | - | 56,057 | 56,057 |
| New York Works | 75,000 | 165,000 | 90,000 |
| Buffalo Regional Innovation Cluster | 75,000 | 75,000 | - |
| Regional Economic Development | 150,000 | 150,000 | - |
| Transformative Economic Development Projects | - | 720,000 | 720,000 |
| **Total Capital Funding** | **705,000** | **1,276,057** | **571,057** |
| **TOTAL ESDC FUNDING** | **794,615** | **1,318,942** | **524,327** |

## Economic Development
## Proposed Disbursements - All Funds

(Thousands of Dollars)

| Agency | Estimated 2012-13 | Proposed 2013-14 | Change Amount | Change Percent |
|---|---|---|---|---|
| Department of Economic Development | 142,432 | 133,695 | (8,737) | -6.1% |
| Job Development Corp. / ESDC | 522,153 | 689,695 | 167,542 | 32.1% |
| Economic Development Capital-Other | 12,500 | 12,500 | 0 | 0.0% |
| Regional Economic Development Program | 2,500 | 2,500 | 0 | 0.0% |
| **Totals:** | **679,585** | **838,390** | **158,805** | **23.4%** |

# Mental Hygiene Fact Sheet



- Total proposed All Funds cash disbursements for the Mental Hygiene agencies are estimated to be $8.27 billion for SFY 2013-14.

- The SFY 2013/14 Executive Budget proposes $152.3 million in gap-closing actions for Mental Hygiene agencies.

- The Executive proposes $53.4 million in savings to Mental Hygiene Agencies by deferring the Human Services Cost of Living Adjustment (COLA).

- The Executive proposes $47.5 million in savings to the Office of Mental Health (OMH) including psychiatric center regionalization and restructuring, administrative staffing and Non-Personnel Services efficiencies, Sex Offender Management Treatment Act adjustments, and local efficiencies.

- The Executive proposes $38 million in savings for the Office for People with Developmental Disabilities (OPWDD) for ongoing de-institutionalization, the scheduled closure of two Developmental Disabilities Centers (Finger Lakes and Taconic), attrition, overall agency efficiencies, and efficiencies at the local level.

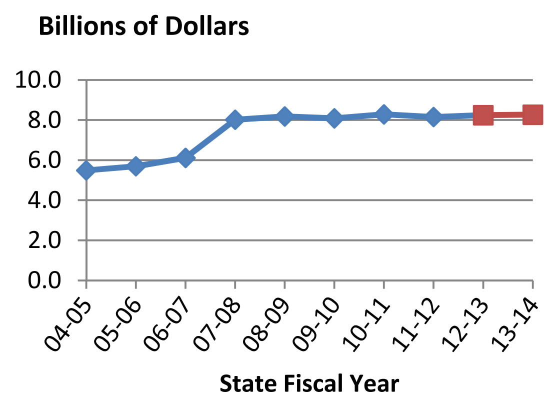
- The Justice Center for the Protection of People with Special Needs was established by Chapter 501 of the laws of 2012. The new Justice Center would transition from the existing Commission on Quality of Care and Advocacy for Individuals with Disabilities operations by June 30, 2013.

- The Executive proposes to allow for individuals with disabilities to have their health and long-term care services provided or arranged for by Developmental Disability Individual Support and Care Coordination Organizations (DISCOs) on a capitated basis.

- The State faces a potential shortfall of $1.1 billion in lost Medicaid federal funding annually from ongoing discussions between the State and the Federal government on pricing methodology for the developmentally disabled. This potential shortfall is not accounted for in the Executive's Budget.

# MENTAL HYGIENE

| All Funds Disbursements (Millions of Dollars) | Estimated SFY 12-13 | Projected SFY 13-14 |
|---|---|---|
| Cash | 8,245 | 8,270 |
| Annual Growth Rate | 1.1% | 0.3% |
| 5 Year Average Growth (Actual) | | 6.6% |




The SFY 2013-14 Executive Budget recommends an All Funds cash disbursement of $8.27 billion, an increase of $25 million, or 0.3 percent for all mental hygiene agencies. The following gap closing actions are included to eliminate the need for increases in base spending, total $152 million and are reflected as follows:

| **Cost Saving Proposals** (millions of dollars) | |
|---|---|
| **Proposal** | **SFY 2013-14** |
| Ongoing OPWDD De-Institutionalization, Attrition and Efficiencies | ($5.9) |
| OPWDD Local Efficiencies | ($32.1) |
| OASAS Administrative Staffing and NPS Efficiencies | ($4.6) |
| OMH Psychiatric Center Regionalization and Restructuring | ($20) |
| OMH SOMTA Efficiencies | ($4.6) |
| OMH Local Efficiencies | ($10) |
| CQCAPD Efficiencies | ($0.6) |
| Fringe Benefits Impacts | ($8.2) |
| Defer Planned COLA/Trend Increases | ($53.4) |
| **Total** | **($152.3)** |

## ***Department of Mental Hygiene***

### Human Services Cost of Living Adjustment

- The Executive proposes deferring the 1.4 percent annual Cost of Living Adjustment for Human Services providers for one year, as well as the automatic payment increases associated with Medicaid trend factor increases.
- This deferment would result in $53.4 million in savings for Mental Hygiene agencies (Office of Mental Health, Office for People with Developmental Disabilities, and the Office for People with Alcoholism and Substance Abuse Services),
- For the other agencies involved (Department of Health, Office for Children and Family Services, and Office for the Aging), the savings would be $17.8 million.

### Social Worker Licensure Exemption

- The Executive proposes making permanent licensure exemptions for certain social and mental health workers employed by a program or service organization overseen by the Office of Mental Health, the Office for People with Developmental Disabilities, the Office of Alcoholism and Substance Abuse Services, the Office of Children and Family Services, the State Office for the Aging, and the Department of Corrections and Community Supervision, as well as local governmental units and Social Services Districts. This legislation would avoid a direct cost to the State of $30 million and to those entities overseen by the aforementioned agencies of $300 million.

Miscellaneous Cross Agency Savings

- Since Mental Hygiene Agencies are funded through Special Revenue Accounts, actions to reduce staffing through attrition have an additional benefit of resulting in fringe benefit savings as well.
- Actions to reduce staffing would result in additional savings of $8.2 million in reduced fringe benefit costs for all Mental Hygiene Agencies.

***Justice Center / Commission on Quality Care and Advocacy for Persons with Disabilities***

- The Justice Center for the Protection of People with Special Needs was established by Chapter 501 of the Laws of 2012. The Executive Budget proposes to transition the operations of the Commission on Quality of Care and Advocacy for Persons with Disabilities into the Justice Center by June 30, 2013. The main goal of the Justice Center is to protect the health and safety of vulnerable individuals in the State's care.
- The Commission is provided partial funding for the State Fiscal Year 2013-14 until its operations are taken over by the Justice Center. The Executive's proposal would include partial year savings of $600,000 in efficiency initiatives.

***Office of Mental Health***

Closures/Restructuring

- The Executive proposes language to notwithstand community reinvestment and notification provisions for the closure, consolidation, reduction, transfer, or redesign of State-operated Psychiatric Centers. No specific centers have been identified by the Executive for closure or for a reduction in services.
- The Executive proposal mirrors prior year Enacted Budget criteria and notification requirements, included at the insistence of the Legislature. This language has been included in the two previous budget cycles to close, reduce, consolidate and restructure the existing State-operated inpatient service system.
- The Executive proposes creating regional centers of excellence for the diagnosis and treatment of complex behavioral health illnesses. This would follow the model for other areas, such as cancer, education, etc and would be in conjunction with the reorganization of psychiatric centers.
- The Executive estimates savings of $25 million from these proposals, with $5 million of these funds designated for reinvestment back into geographically comparable community services. If the closures that resulted from the 2011-12 Enacted Budget are any indication of what the financial impact may be, $25 million in savings would result from a substantial restructuring of the system. For example, the average full annual savings of closing one ward is $3.5 million. If this were a partial year implementation, the savings would be approximately $1.75 million per ward closure. The full annual impact for the closure of Hudson River Psychiatric Center was estimated to be approximately $15 million to $16 million.

Mental Health Incident Review Panels

- The Executive proposes language to authorize the Office of Mental Health to establish a mental health incident review panel for the purpose of reviewing, in conjunction with local representation, the circumstances and events related to serious incidents involving a person with mental illness.
- A serious incident would include an incident occurring in the community where a person with a serious mental illness is:
  - physically injured or causes physical injury;
  - suffers a serious and preventable medical complication; or
  - becomes involved in a criminal incident involving violence.
- The panel would conduct a review to identify gaps or problems within the mental health delivery system and make recommendations for corrective actions in order to improve the provision of mental health or related service; including improving the coordination, integration and accountability of care.

Continued Office of Mental Health Savings

- The Executive proposes further gap closing actions of $14.6 million in the Office of Mental Health. This amount results from a proposed $10 million in savings from a delay in developing community beds; and the remaining $4.6 million would be achieved through efficiencies in the Sex Offender Management Treatment Program. More information has been requested on these proposed initiatives.

Exempt Income Recoveries

- Makes permanent the ability of the Office to recover Medicaid exempt income from providers of community residence and family based treatment programs. This proposal has been extended on an annual basis since 2010.

Housing Opportunities

- The Executive Budget proposes the development of:
  - 1,000 supported housing units (400 by the end of 2014);
  - 4,000 supported housing beds (1400 by the end of 2014); and
  - 3,400 beds for the homeless housing program in NYC (634 by the end of 2014).

Assisted Outpatient Treatment (AOT)

- The Executive proposes $10 million in Department of Health funding for additional community services for individuals who are receiving court-ordered services through AOT and for individuals being discharged from State Psychiatric Hospitals.

## ***Office for the People with Developmental Disabilities***

Scheduled Closures

- The Executive Budget proposes the continuation of the scheduled closures of the Finger Lakes Developmental Disabilities Center and the Taconic Developmental Disabilities Center by the end of 2014.
- These facilities combined with associated attrition and other efficiencies is estimated to save $25.8 million, with $19.9 million being reinvested in new community residential and non-residential services to support deinstitutionalizations. These actions would result in net savings of $5.9 million. Revised base projections for community bed and day services growth is estimated to save an additional $32.1 million.

Impending Federal Actions

- While not reflected in the Executive Budget, the State faces a significant shortfall as the Federal government seeks to reduce payments for the developmentally disabled. Negotiations have been underway on the State's reimbursement methodology for the developmentally disabled, with the potential for annual reductions in federal aid rates of $800 million for State-operated institutional care and $300 million for non-institutional care. The potential reduction of $1.1 billion annually is not reflected in the Executive's proposed Financial Plan. Part of the discussion's focus is how to transition into a new system in a way that will not impact services.

Fully Integrated Dual Advantage (FIDA) Program

- The Executive proposes allowing the Office to perform a FIDA program that would provide comprehensive health services to individuals who are dually eligible for Medicaid and Medicare. These health services would include primary and acute care, prescription drugs, behavioral health services, care coordination services, and long-term supports and services. These services would be provided through managed care providers, including Managed Long Term Care Plans (MLTCs).
- The Executive proposes that up to three MLTCs be authorized to provide services to dually enrolled individuals with developmental disabilities services under the FIDA program.
- The Commissioner of Health, upon seeking and being granted Federal approval and financial participation, may contract with managed care plans without the need for a competitive bid or request for proposal process.

Developmental Disability Individual Support and Care Coordination Organizations (DISCOs)

- The Executive proposes allowing individuals with disabilities to have their health and long-term care services provided or arranged for by certain DISCOs on a capitated basis.
- Eligible applicants would be non-profit organizations with a history of providing these services to individuals with developmental disabilities who would be able to meet certain quality and other standards.
- The Office, or its designee, would complete a comprehensive assessment of the needs of each prospective enrollee, which would serve as the basis for the development and provisions of an appropriate plan of care. This would be completed by the Office, or its designee, in consultation with the prospective enrollee's health care practitioner.
- The Commissioner of Health, in consultation with the Commissioner of Developmental Disabilities, would be responsible for evaluating, approving and regulating all matters relating to fiscal solvency. The Superintendent of Financial Services would determine premiums whenever any population of enrollees not Medicaid eligible would be covered.
- The Commissioner of Health would establish payment rates for services covered under Medicaid, which would be risk-adjusted to take into account characteristics of the enrollee.
- This proposal is contingent upon Federal Financial Participation.
- Health Maintenance Organizations would be allowed to expand its health services plan to included the developmental disabled population, subject to certain conditions and approvals.

***Office of Alcoholism and Substance Abuse Services***

- The Executive would continue community-based chemical dependence and compulsive gambling services, including funding for new permanent supportive housing units for homeless families, or families at risk of becoming homeless in New York City.
- The Executive proposes:
    - Clarifying language allowing the Office to continue to fund programs through direct contracts or through the State Aid Funding Authorization process, whereby funds are directly allocated to counties;
    - Savings of $4.6 million from administrative staffing and non-personal services efficiencies, as well as maximizing the use of federal funds; and.
    - Allowing for the transfer of funding from the Office of Alcoholism and Substance Abuse Services to the Department of Health to fund managed care chemical dependency services.

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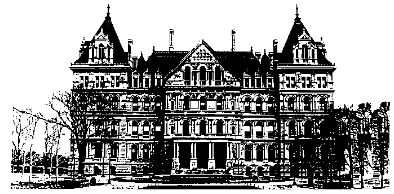
## Mental Hygiene
## Proposed Disbursements - All Funds

(Thousands of Dollars)

| Agency | Estimated 2012-13 | Proposed 2013-14 | Change Amount | Percent |
|---|---|---|---|---|
| Office of Mental Health | 3,258,474 | 3,317,616 | 59,142 | 1.82% |
| Office for Developmental Disabilities | 4,356,858 | 4,285,613 | -71,245 | -1.64% |
| Office of Alcoholism and Substance Abuse | 608,688 | 616,137 | 7,449 | 1.22% |
| Commission of Quality Care | 17,024 | 9,431 | -7,593 | -44.6% |
| Developmental Disabilities Planning Council | 4,201 | 4,201 | 0 | 0% |
| Justice Center | 0 | 37,267 | 37,267 | 100% |
| **Totals:** | 8,245,245 | 8,270,265 | **25,020** | **0.3%** |

# Human Services Fact Sheet



- The Executive Budget proposes All Funds Human Services spending of $9.2 billion, a reduction of $339 million or 3.5 percent from SFY 2012-13.

**Office of Temporary and Disability Assistance (OTDA)**

**Social Services Budget Action Highlights:**

- Provides a $25 million increase for the Supplemental Nutrition Assistance Program (SNAP), formerly Food Stamps.

- Increases funding by $2.4 million for Adult Shelters, Public Homes (outside of New York City,) and Homeless Housing and Preventive Services Programs.

- Adds a $2 million TANF appropriation for Food Banks, with sub-allocation language to the Department of Health for the Hunger Prevention and Nutrition Assistance Program.

- Transfers funding of $30 million for administration of the Homeless Housing and Assistance Program to the Division of Housing and Community Renewal (DHCR).

**Public Assistance Changes:**

- Projects decreases in the public assistance caseload for Temporary Assistance to Needy Families (TANF) families and Safety Net Assistance (SNA) families to save $71.5 million and $49 million respectively.

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

**Juvenile Justice Reform:**

- Proposes legislation to expand the Close to Home Initiative to include youth from counties outside of NYC who require placement in a non-secure facility. The original act required the transfer of custody of NYC youth placed in non-secure or limited secure facilities from OCFS to NYC custody, pursuant to a plan developed by NYC and approved by OCFS. NYC youth placed in secure residential facilities remain in the custody of OCFS.

- Effective May 1, 2013, family courts would no longer be authorized to place youth from counties outside of NYC in OCFS custody for placement in a non-secure facility. These adjudicated juvenile delinquents would be placed with a local social services district, to enable the youth to get services closer to his/her home community.

- The proposal authorizes the closure of the four remaining OCFS non-secure youth facilities in Red Hook, Middletown, Brentwood, and Lansing.

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

- Provides $43.8 million for a new centralized call center to consolidate the call centers of the Office of Temporary and Disability Assistance, the Office for People with Developmental Disabilities, the Office of Mental Health, the Office of Alcoholism and Substance Abuse Services, the Office of Victim Services, the Division of Criminal Justice Services, the Department of Civil Service, the Department of Veterans Affairs, and the Office of Children and Family Services. No details are provided as to the location and number of staff to be hired. In addition, **the Executive proposal does not provide an estimated savings for any of the impacted agencies as a result of this consolidation.**

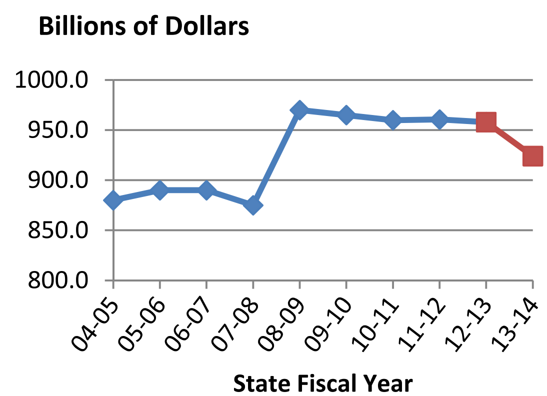
- Increases TANF support for child care subsidies by $71 million to replace decreased General Fund support, in order to maintain current funding level for child care.

- Proposes to combine funding, totaling $14.1 million, for the Youth Development and Delinquency Program (YDDP) and Special Delinquency Prevention Program (SDPP) into one grant called the Youth Development Program. This appropriation is based on SFY 2010-11 spending levels of $10.6 million for YDDP and $3.5 million for SDPP.

- Includes savings of $37 million by eliminating the 3.6 percent Cost of Living Adjustments (COLAs) for Human Services programs. These programs include Foster Care, Adoption, Community Based Waiver Services, Medicaid Per Diem Services for Foster Children program, Bridges to Health, Committee on Special Education, and New York/New York III programs.

# HUMAN SERVICES

| All Funds Disbursements (Millions of Dollars) | Estimated SFY 12-13 | Projected SFY 13-14 |
|---|---|---|
| Cash | 957,943 | 924,062 |
| Annual Growth Rate | -0.3% | -3.5% |
| 5 Year Average Growth (Actual) | | 1.6% |




The State Fiscal Year (SFY) 2013-14 Executive Budget recommends a decrease in All Funds cash disbursements of $338.8 million, or 3.5 percent, for all human services agencies.

***Office of Temporary and Disability Assistance (OTDA)***

The SFY 2013-14 Executive Budget provides $5.76 billion in All Funds appropriations, a decrease of $19.5 million, or 0.34 percent, from current levels. The net All Funds decrease can mainly be attributed to projected decreases in public assistance caseloads and the shift of the Homeless Housing and Assistance Program (HHAP) to the Division of Housing and Community Renewal (DHCR). This decrease is partially offset by additional proposed funding for the Supplemental Nutrition Assistance Program, Summer Youth Employment, Public Homes, and other housing programs.

The Executive anticipates a net staffing increase of 30 Full Time Equivalents (FTEs), from 1,860 to 1,890. This reflects the transfer of 228 FTEs to the new Office for Information and Technology Services in the current year; transfer of staff for the HHAP to DHCR; the addition of staff related to the takeover of the SSI State Supplement program that was authorized in the 2012-13 Enacted Budget; and filling a portion of the positions vacated by attrition.

**Temporary and Disability Assistance Program**

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

Public Assistance Caseload

As a result of the sluggish economy, and increased unemployment rates, Public Assistance caseload began to increase in September of 2008. However, caseload is projected to decrease in SFY 2013-14. The Executive Budget is projecting a reduction in caseload of 12,177 to 554,011, or 2.2 percent, from the current year estimate of 566,188 cases.

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

The SFY 2011-12 Enacted Budget eliminated the State and local shares from the Family Assistance program and only used Federal TANF dollars to fund benefits. This action, in combination with the ten percent increase in the basic grant enacted in the SFY 2012-13 Budget and the continuing need for child care subsidies, significantly reduces available resources for other TANF programs. The Executive proposes **eliminating** funding for the following TANF surplus initiatives:

- ACCESS-Welfare to Careers (-$800,000);
- ATTAIN (-$3 million);
- Advantage Schools (-$500,000);
- BRIDGE (-$102,000);
- Career Pathways (-$750,000);
- Caretaker Relative/Kinship Care (-$51,000);
- Centro of Oneida (-$25,000);
- Child Care CUNY (-$141,000);
- Child Care Demonstration Projects (-$1.3 million);
- Child Care SUNY (-$193,000);
- Community Solutions to Transportation (-$112,000);
- Displaced Homemakers (-$546,000);
- ESL/Adult Literacy (-$250,000);
- Emergency Homeless (-$500,000);
- Food Pantries – Non-Metro NY (-$250,000);
- Non-residential Domestic Violence (-$1.2 million);
- Nurse Family Partnerships (-$2 million);
- Preventive Services (-$610,000);
- Rochester-Genesee Regional Transportation Authority (-$82,000)
- Settlement Houses (-$1 million);
- Strengthening Families Through Stronger Fathers (-$200,000);
- Wage Subsidy (-$950,000); and
- Wheels for Work (-$144,000).

The Executive proposes a new $2 million TANF appropriation for Food Banks, with sub-allocation language to the Department of Health for the Hunger Prevention and Nutrition Assistance Program.

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

The Executive Budget includes Article VII language that would authorize the Supplemental SSI Federal COLA pass-through. This language sets forth the actual dollar amounts for the 2013 Personal Needs Allowance, the standard of need for eligibility, and the payment of additional state disbursements. It also authorizes those amounts to be automatically increased by the percentage of any federal SSI COLA which becomes effective within the first six months of calendar year 2014. This COLA has been enacted each year since 1984.

Supplemental Nutrition Assistance Program

The Executive Budget increases appropriation authority for the Supplemental Nutrition Assistance Program (SNAP), formerly Food Stamps, by $25 million, to $400 million, in anticipation of additional Federal funding.

## Specialized Services Program

Housing Assistance Programs

The Executive Budget proposal increases General Fund spending for Adult Shelters and Public Homes (outside of New York City) by $1 million and Homeless Housing and Preventive Services Programs by $1.4 million.

Refugee Resettlement

The Executive proposes an increase of $1 million in Federal funds for refugee resettlement programs, from $25 million to $26 million, in anticipation of an increase in the Federal grant for this program.

Federal Homeless Housing

The Executive proposes an increase of $2 million for Federal homeless and support services grants, from $7.5 million to $9.5 million, in anticipation the Federal grant will increase for these programs.

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

The SFY 2013-14 Executive Budget provides $3.74 billion in All Funds appropriation support, a decrease of $41.8 million, or 1.1 percent. This net decrease primarily reflects a reduction in General Fund child care subsidies and other programmatic funding changes detailed below.

The Executive anticipates a net staffing decrease of 575 FTEs, from 3,263 to 2,688. This reflects the continued closing and downsizing of youth facilities associated with the current Close to Home Initiative (-282 FTEs); downsizing of youth facilities associated with the proposed expansion of the Close to Home Initiative (-168 FTEs); the transfer of staff to the Justice Center for the Protection of People with Special Needs (-200 FTEs); additional staff for program improvements at the remaining youth facilities (+50 FTEs); and additional staff for the Statewide Central Register (+25 FTEs).

### **Close to Home Initiative Expansion**

The Executive proposes legislation to expand upon the Close to Home Initiative enacted as part of the SFY 2012-13 Budget. The original act required the transfer of custody of all New York City (NYC) youth placed in non-secure or limited secure facilities from OCFS to NYC, pursuant to a plan developed by NYC and approved by OCFS. NYC youth placed in secure residential facilities remain in the custody of OCFS. NYC is responsible for developing their own juvenile justice system to provide a combination of community services, supervision, and residential placement to youth in their custody. OCFS would be responsible for oversight, monitoring and licensing of the NYC system. A plan for the transfer of limited secure youth has not yet been approved by OCFS.

Under the current proposal, the initiative would be expanded to include youth from counties outside of NYC who require placement in a non-secure level of care. Effective May 1, 2013, family courts would no longer be authorized to place youth from counties outside of NYC in OCFS custody for placement in a non-secure facility. These adjudicated juvenile delinquents would be placed with a local social services district, to enable the youth to get services closer to his/her home community.

The proposal also authorizes the closure of the remaining four OCFS non-secure youth facilities in Suffolk County (Brentwood), Dutchess County (Red Hook), Orange County (Middletown), and Tompkins County (Lansing).

### **Child Care**

The SFY 2013-14 Executive Budget recommends $841.1 million for the Child Care Block Grant (CCBG). In order to maintain funding in the current fiscal year, the Executive increases TANF support for child care subsidies by $71 million to offset decreased General Fund support of the same amount.

**Family and Children's Services Program**

Child Welfare Services

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

Foster Care Block Grant (FCBG)

The Executive Budget recommends $437 million for the Foster Care Block Grant, a General Fund increase of $1.04 million in to provide State reimbursement to eligible social services districts that are not operating a juvenile justice services Close to Home initiative. Funding for Kinship Guardianship Assistance would continue through the FCBG.

Adoption Subsidies

The SFY 2011-12 Enacted Budget reduced the State share of adoption subsidies from 73.5 percent to 62 percent. The 2013-14 Executive Budget maintains current year spending levels of $184.6 million in General Fund spending for adoption subsidies to continue to provide local districts with 62 percent reimbursement for expenditures.

**Other Budget Actions**

Contact Center

The Executive proposes a new centralized call center to consolidate the call centers of the Office of Temporary and Disability Assistance, the Office for People with Developmental Disabilities, the Office of Mental Health, the Office of Alcoholism and Substance Abuse Services, the Office of Victim Services, the Division of Criminal Justice Services, the Department of Civil Service, the Department of Veterans Affairs, and the Office of Children and Family Services. The Division of the Budget has not provided information of the location or number of staff necessary to accomplish this initiative nor have they provided savings estimates for any of the impacted agencies as a result of this consolidation. A $43.8 million Internal Services Fund appropriation within OCFS is provided to support this new center and includes suballocation language to any state department, agency, or public authority.

Eliminate the Human Services Cost of Living Increase (COLA)

The Executive eliminates the 3.6 percent Cost of Living Adjustments (COLAs), for a $37 million savings in Human Services programs including Foster Care, Adoption, Community Based Waiver Services, Medicaid Per Diem Services for Foster Children program, Bridges to Health, Committee on Special Education, and New York/New York III programs.

Youth Development and Delinquency Program (YDDP)/Special Delinquency Prevention Program (SDPP)

The Executive proposes to combine the funding for these programs into one grant called the Youth Development Program. The Executive recommends $14.1 million in General Fund support, a flat appropriation from the current fiscal year.

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

The SFY 2013-14 Executive Budget provides $241.7 million in All Funds appropriations, a decrease of $2.4 million or 0.9 percent. The net decrease is mainly attributed to the elimination of current year Legislative adds and a reduction in appropriation authority to reflect actual cash in the State Operations budget. The Executive proposes a workforce of 100 Full Time Equivalents (FTE's), consistent with current year levels.

Eliminate Human Services Cost of Living Adjustment (COLA)

The Executive Proposes eliminating the 1.4 percent COLA for Human Services Providers for an additional year, providing savings to the State of $2.6 million in SFY 2013-14.

***Department of Labor***

The FY 2014 Executive Budget recommends **All Funds spending of $713.4 million**, which represents an increase of $15.5 million or 2.2 percent from FY 2013. **This excludes disbursements from the Unemployment Insurance (UI) Benefit Fund.**

Excluding the UI Benefit Fund, the above cash spending is supported by $933.7 million in All Funds appropriation authority, which represents a decrease of approximately $25 million or 2.6 percent from FY 2013.

**State Operations**

The Executive Budget recommends an All Funds State Operations spending amount of $385 million, an increase of approximately $3.2 million or .8 percent.

The above state operations cash spending is supported by $741.8 million in All Funds appropriation authority, which represents a decrease of approximately $9.5 million or 1.3 percent from FY 2013. The FY 2013 State Operations appropriation authority reflects an administrative increase in the amount of $840,000 related to agreed upon collective bargaining contracts.

The increased spending includes a $285,000 new General Fund appropriation to host the New York State Data Center, which was transferred from the Empire State Development Corporation (ESDC). The data center will be operated in cooperation with the United States Census Bureau and provide support to the Division of Veterans' Affairs, Workers' Compensation Board, State Insurance Fund and ESDC. The activities of the data center will include the compilation, analysis and dissemination of socio-economic information and data.

The data center will be supported by an Internal Service Fund (ISF) with $9.4 million in appropriation authority.

**Aid to Localities**

The Executive Budget recommends an All Funds Aid to Localities spending amount of $182 million, a decrease of approximately $11.5 million or six percent.

The above aid to localities cash spending is supported by $191.7 million in All Funds appropriation authority, which represents a decrease of approximately $15.8 million or 7.6 percent from FY 2013. Of this amount, $11.3 million reflects a reduction in Federal Funding for the Employment and Training Program and $4.5 million General Fund reduction, reflects the elimination of FY 2013 Legislative initiatives.

**The following FY 2013 Legislative initiatives were eliminated:**

- New York Committee on Occupational Safety and Health (-$350,000);
- Chamber On-The-Job Training Program
- (-$750,000);
- Long Island Office on Occupational Safety and Health (NYCOSH) (-$155,000);

- Building Trades and Pre-Apprenticeship Program (BTPAP) (-$200,000);
- Workforce Development Institute (-$2,295,000);
- Rochester Tooling and Machining Institute (-$50,000);
- Hillside Works (-$100,000);
- Summer of Opportunity Youth Employment Program, Rochester (-$250,000); and
- Project Rise-Referral, Information, Services, Employment (-$300,000).

**Unemployment Insurance Program**

The Executive Budget includes appropriation authority for the UI Benefit Fund in the amount of $5.4 billion, which represents a decrease of $1.1 billion from FY 2013. This reflects an anticipated decrease in UI and Emergency Unemployment Compensation (EUC) payments. The above appropriation authority includes $1.65 billion to support EUC benefits authorized by Congress and available through December 2013.

**Article VII**

The FY 2014 Executive Budget includes Article VII language to transfer the State Data Center from ESDC to DOL (Education, Labor and Family Assistance Part N).

**The FY 2014 Executive Budget includes Article VII language to increase the minimum wage from the current hourly rate of $7.25 to $8.75.** For further detail refer to the Minimum Wage Issue in Focus and Article VII summary (Education, Labor and Family Assistance Part P).

The FY 2014 Executive Budget includes Article VII language proposing reforms to the UI Program. The emphasis of the reforms is to stabilize the system and retire the $3.5 billion deficit in the UI Benefit Trust by 2016 as opposed to 2018. The proposal would also increase the weekly benefit rate and the wage base against which employers are assessed for the UI insurance tax. For further detail refer to the Issue in Focus addressing the Unemployment Insurance Reform Proposal and the Article VII summary (Education, Labor and Family Assistance Part O).

**Workforce Impact**

The FY 2014 Executive Budget recommends a workforce of 3,612 full time equivalents (FTE). This reflects a net reduction of nine FTE from FY 2013 and includes the transfer of 238 FTE to the Office of Information and Technology Services (OITS). The net FTE reduction is achieved through attrition.

***Workers' Compensation Board***

The FY 2014 Executive Budget recommends an All Funds spending amount of $203.4 million, which represents an increase of $3.7 million or 1.8 percent from FY 2013.

The above cash spending is supported by $203.3 million in All Funds appropriation authority, which represents an increase of approximately $6.4 million or 3.3 percent from FY 2013.

The Executive Budget proposes the transfer of 125 full time equivalents (FTE) to the Office of Information Technology Services (OITS) as part of the shared services initiative. Most of these employees are in technology related positions.

The Executive also proposes to consolidate 11 service centers located throughout the State. The Executive asserts that the centers are underutilized, delivery of service will not be affected and that no person will have to travel more than 50 miles to a service center.

**Article VII**

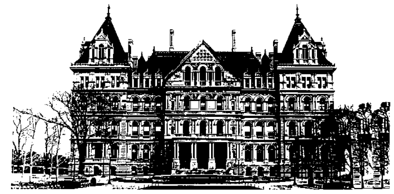
The FY 2014 Executive Budget includes Article VII language to amend the **Workers' Compensation Program**. Major components include a bonding program to settle outstanding liabilities, a transfer of $2 billion in reserves from the State Insurance Fund (SIF) to the Workers' Compensation Board and an increase in the weekly benefit. For further details refer to the Workers' Compensation Reform Issue in Focus and the Article VII summary (Public Protection and General Government Part O).

**Workforce Impact**

The Executive requests authorization for an additional 25 full time equivalents (FTE) to bring the Board to 1,220. The Executive did not specify how these additional staff would be utilized.

| Human Services<br>Proposed Disbursements - All Funds<br>(Thousands of Dollars) | | | | |
|---|---|---|---|---|
| | Estimated | Proposed | Change | |
| Agency | 2012-13 | 2013-14 | Amount | Percent |
| Children and Family Services | 2,981,454 | 3,019,190 | 37,736 | 1.3% |
| Temporary and Disability Assist. | 5,447,511 | 5,057,517 | (389,994) | -7.2% |
| Welfare Inspector General (1) | 1,407 | 0 | (1,407) | -100.0% |
| Department of Labor | 697,934 | 713,391 | 15,457 | 2.2% |
| Workers' Compensation Board | 199,742 | 203,415 | 3,673 | 1.8% |
| Office for the Aging | 218,435 | 215,399 | (3,036) | -1.4% |
| Division of Veterans' Affairs | 15,766 | 15,188 | (578) | -3.7% |
| Division of Human Rights | 17,182 | 16,529 | (653) | -3.8% |
| (1) Proposed to be consolidated into OIG | | | | |
| **Totals:** | **9,579,431** | **9,240,629** | **(338,802)** | **-3.5%** |

# General Government and Local Government Assistance Fact Sheet



**Overview**

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

- The SFY 2013-14 Executive Budget recommends All Funds cash disbursements of approximately $6.78 billion for General Government agencies, General State Charges and Local Government Assistance. This represents an increase of $398 million or 6.2 percent over the SFY 2012-13 levels.

- The overall increase is primarily driven by increased health insurance, pension and workers compensation payments in General State Charges and a $114 million increase at the Department of Information Technology Services associated with centralizing the State's Technology services.

**Consolidations**

- There is an overall emphasis on centralizing services for the Executive controlled State agencies. Part of this involves transferring employees from various state agencies to what are becoming super agencies: Office of General Services (OGS) and the Office of Information Technology Services (OITS).

- The Executive proposes to merge the Office of the Welfare Inspector General (OWIG) into the Office of the State Inspector General (IG).

- The Executive proposes to merge the Office of Employee Relations (OER) into the Department of Civil Services to form a State Employee Workforce Development Center.

**General Government and Local Government Assistance Budget Highlights**

- The Aid to Municipalities (AIM) and Video Lottery Terminal Impact Assistance funding would remain the same as the SFY 2012-13 levels. The Executive proposal changes the structure of the Local Government Efficiency Grant program (LGEG) and the Citizens Re-Organization Empowerment Grant program (CERG). The changes would require a 50 percent local government match instead of the current 10 percent match on all planning grants, and lowers the maximum grant amount for CERG to $12,500 per municipalities and $100,000 per grant.

- The Department of State Local Assistance Grants are reduced by $12.2 million (76 percent), from $71.6 million to $59.3 million.

- The Department of Taxation and Finance is provided $9.1 million to hire 200 more auditors for revenue generating initiatives and a $52 million internal service fund appropriation associated with a planned call center consolidation with other State Agencies.

# GENERAL GOVERNMENT & LOCAL GOVERNMENT ASSISTANCE

| All Funds Disbursements (Millions of Dollars) | Estimated SFY 12-13 | Projected SFY 13-14 |
|---|---|---|
| Cash | 6,387 | 6,785 |
| Annual Growth Rate | -0.3% | 6.2% |

General Government consists of 18 agencies that provide a diverse array of services to the people of New York State in addition to General State Charges and Local Government Assistance. The Executive Budget proposal recommends merging the Office of the Welfare Inspector General (OWIG) into the Office of State Inspector General (IG) and the Office of Employee Relations (OER) into the Department of Civil Service to form a State Employee Workforce Development Center.

The SFY 2013-14 Executive Budget recommends All Funds cash disbursements of approximately $6.8 billion for General Government Agencies, General State Charges and Local Government Assistance. This represents an increase of $398 million or 6.2 percent over the SFY 2012-13 level. Most of the increase is related to state workforce health insurance, pension and workers compensation. This is reflected in the $277.9 million increase in General State Charges. There is also a $114 million increase at the Office of Information Technology Services (OIT), reflecting the Executive's shared services program that consolidates most State Agency Technology Services in one centralized location instead of having a technology office inside each State Agency.

The Local Government Assistance Aid and Incentives for Municipalities (AIM) was held at 2012-13 levels for all localities. The Executive Proposal has significant reforms for the Local Government Efficiency Grant program (LGEG) and the Citizens Re-Organization Empowerment Grant program (CERG) to ensure Local Governments are truly utilizing the grants to achieve local government efficiencies and consolidations.

## Division of Alcohol Beverage Control (ABC)

The Executive recommends disbursements of $18.2 million for the Division of Alcoholic Beverage Control (ABC) for SFY 2013-14. This represents an increase of $1.2 million or 7.2 percent over the current year level of $16.7 million, mostly due to expenses associated with ABC's involvement in the State's E-Licensing Enterprise System. The E-Licensing Enterprise System seeks to create a single web-based gateway to access many of the licenses, permits and documents necessary to conduct business or obtain professional or recreational licenses in New York State.

## Division of the Budget (DOB)

The SFY 2013-14 Executive Budget recommends an All Funds spending amount of $33.3 million, which represents a reduction of $230,000 or .69 percent from SFY 2012-13.

The above cash spending is supported by $53.9 million in All Funds appropriation authority, which represents an increase of approximately $1.9 million or two percent from SFY 2013. **Of this amount, approximately $26.5 million is subject to interchange transfer authority.**

There are three types of interchange transfer authority:

- **Office of General Services (OGS) interchange and transfer authority;** this language is used to consolidate procurement, real estate and facility management, fleet management, business and financial services, administrative services, payroll administration, time and attendance, benefits administration, other human resources related services, contract management and grants management in conjunction with the business services center (BSC) housed within OGS.

- **Information technology (IT) interchange and transfer authority;** this language is used to consolidate and upgrade the Executive Agency IT infrastructure in conjunction with the Office of Information Technology Services (OITS).

- **Alignment interchange and transfer authority;** this language is used to align various operating activities of the Office of Mental Health, the Office for People With Developmental Disabilities; the Office of Alcoholism and Substance Abuse Services; the Department of Health and the Office Children and Family Services.

The language above is identical to that included in the SFY 2012-13 Enacted Budget. The Call Center Interchange and Transfer authority present in the SFY 2013 Enacted Budget was omitted.

Legislative funding provided in SFY 2013 for the payment of dues to the following organizations was eliminated: **National Conference of Insurance Legislators ($10,000) and the Council of State Governments ($469,000).**

DOB is requesting additional appropriation authority in the amount of $2.5 million from the Revenue Arrearage Account, which is a Special Revenue Fund Other (SRO) that serves as the repository for overdue non-tax revenues owed to the State.

These additional funds would be used to support the Financial Restructuring Assistance Program, which is a joint task force consisting of the Office of the State Comptroller, the Office of the Attorney General, DOB and private sector restructuring consultants. The purpose of the task force would be to advise municipalities on financial restructuring related issues.

There is a General Fund personal services reduction in the amount of $265,000 to reflect the transfer of four full time equivalents (FTE) positions to OGS. These employees are financial administrative staff that would be assigned to the BSC.

**Workforce Impact.** DOB's staffing level remains unchanged at 290 FTE.

## Department of Civil Service

The SFY 2013-14 Executive Budget recommends an All Funds spending amount of $13.8 million, a reduction of $445,000 or 3.1 percent.

The above cash spending is supported by $56.5 million in All Funds appropriation authority, which represents a decrease of approximately $122,000 or .22 percent from SFY 2013.

Enacted SFY 2012-13 appropriations have been decreased by approximately $1.1 million to reflect the transfer of 55 full time equivalents (FTE) to the Office of Information Technology Services (OITS) and decreased by $93,000 to reflect the transfer of two FTE to the Office of General Services (OGS) Business Service Center (BSC).

The Executive Budget proposes to merge the Governor's Office of Employee Relations (OER) into the Department of Civil Service. The purpose of the merger would be to create a single **State Employee Workforce Development Center** that would consolidate the recruitment and training efforts of the two agencies.

**Workforce Impact.** The Executive requests authorization for an additional 26 FTE positions that would work in the area of employee benefits management. Their salaries and benefits would be paid from an Internal Services Fund (ISF).

## Office of Employee Relations (OER)

The SFY 2014 Executive Budget recommends an All Funds spending amount of $2.6 million, which is unchanged from SFY 2012-13.

The above cash spending is supported by $12.9 million in All Funds appropriation authority, which represents an increase of approximately $5.9 million or 64.6 percent from SFY 2012-13.

The increased appropriation authority includes an appropriation for $5 million for a pilot program to provide job placement training. The purpose of the program is to assist employees impacted by facility closures or restructurings in the Office of Children and Family Services (OCFS) and the Office of Mental Health (OMH). It is expected that these actions will impact 1,172 jobs. Of these, 704 will be eliminated through attrition. The remaining 468 employees will be placed on an Agency Reduction Transfer List (ARTL). If an employee cannot be transferred into another State job within 100 miles of their current work location, they would be offered training to assist them in obtaining another position within the State system.

Enacted SFY 2012-13 appropriations have been decreased by $98,000 to reflect the transfer of two full time equivalent positions (FTE) to the Office of Information Technology Services (OITS) and by $87,000 to reflect the transfer of one FTE to the Office of General Services (OGS) Business Services Center (BSC).

***Collective bargaining update.*** The State reached collective bargaining agreements with 75 percent of the entire workforce and nearly all of the workforce that is subject to direct Executive control. The following bargaining units have not reached collective bargaining agreements:

- United University Professions (UUP);
- Police Benevolent Association of the New York State Troopers (PBA);
- State Police Investigators Unit (BCI); and,
- District Council (DC-37) Housing

**Workforce Impact.** OER's staffing level remains unchanged at 50 FTE.

## Department of Financial Services

The Executive Budget recommends a Department of Financial Service (DFS) cash disbursement level of $505.8 million for SFY 2013-14. This is an increase of approximately $19.6 million or 4 percent over the current SFY level of $486.3 million.

The $19.6 million increase reflects the fringe benefit increases associated with current staff as well as an increase of 94 FTEs for regulatory and consumer fraud purposes.

The phase out of Healthy NY resulting from the transferring of Healthy NY enrollees to the New York Benefit Exchange will begin late in fiscal year 2013-14. However, no savings will be achieved in this current fiscal year.

## Gaming Commission

The Executive recommends a Gaming Commission cash disbursement level of $189.4 million for SFY 2013-14. This is a decrease of approximately $1.9 million or 0.9 percent over the current fiscal year level of $191.2 million.

The Executive Proposes "Phase One" enabling legislation for Casino Gaming that sets up: a process to site three Casinos in Upstate New York; a study of how Casinos will be sited and regulated; and dedicates 90 percent of revenues to education and 10 percent for local government property tax relief. (*Article VII: ELFA S.2607-Part R*) The proposal is discussed with more detail in the Issues and Focus and Article VII sections of this report.

Within the Commission, a New York State Gaming Commission Account is created in State Finance Law to help fund the Administration Gaming Program to pay for the administrative expenses of the New York State Gaming Commission. The fund will receive money transfers from the state lottery fund administration account, the regulation of racing account, the bell jar collection account or the regulation of Indian Gaming Account. (*Article VII: PPGG S.2605-Part I*)

The Executive also proposes diverting one percent of all purse enhancement payments made to thoroughbred and harness race purses into the regulation of racing account for equine health and safety in New York. This will bring $1.5 million per year into the regulation of racing account. Any unused funds at the end of the year will be paid back on a pro rata basis to the track for the purpose of enhancing race purses. (*Article VII: PPGG S.2605-Part J*)

## Office of General Services

The SFY 2013-14 Executive Budget recommends an All Funds spending amount of $233.5 million, an increase of $3.4 million or 1.5 percent from SFY 2012-13.

The above cash spending is supported by $988.5 million in All Funds appropriation authority, which represents an increase of approximately $4.3 million or .4 percent from SFY 2012-13. Of this amount, approximately $551 million is related to the strategic sourcing initiative and accounted for in an Internal Services Fund (ISF).

***Strategic Sourcing update.*** The strategic procurement initiative is derived from administrative authority and legislation Enacted as part of the SFY 2012-13 Adopted Budget. The general trend is toward centralization of procurement within Executive controlled state agencies. The business justification is overall process improvement, specifically in the areas of procurement practices, realizing administrative efficiencies, and helping the State achieve its goals for enhanced participation of Minority and Women Owned Business Enterprises.

Of the $100 million in financial plan savings attributed to strategic procurement, to date $77.8 million has been realized in SFY 2012-13. The Executive anticipates full savings by the end of the fiscal year.

The categories of savings for the $77.8 million are as follows:

- Administrative savings, $12.7 million;
- Information Technology Services, $37 million;
- Agency assisted buy desk which is an exchange that facilitates the procurement of services and commodities, $3.2 million;
- Road salt, $3.7 million;
- Bank card savings, $1 million;
- Computers and software, $10.7 million; and,
- All other, $9.5 million.

***Business Services Center (BSC) update.*** The SFY 2013-14 Executive Budget includes a new separate appropriation of $37.8 million for the BSC. The purpose of the BSC is to provide human services and finance back-end office services to State agencies where practicable. As more agencies utilize the BSC, the Executive anticipates expanding services to include workforce management, grants reform, standardized reporting and centralized asset management. To utilize the

BSC, an agency must be operating on the Statewide Financial System (SFS).

**Article VII.** The Executive Budget includes legislative language to authorize certain state agencies to use design build contracts and finance contracts for capital projects. Further detail is provided in the Article VII summary section of this report (Public Protection / General Government Part S).

**Workforce Impact.** The Executive requests authorization for an additional 87 full time equivalent positions (FTE) to bring the agency total to 1,439 FTE. Many of the requested employees are being transferred from other agencies as part of an overall emphasis on centralization.

## General State Charges (GSC)

The SFY 2013-14 Executive Budget recommends All Funds spending of $4.1 billion, an increase of $277.9 million or 7.3 percent.

The above cash spending is supported by approximately $3 billion in All Funds appropriation authority, which represents an increase of approximately $295 million or 10.8 percent from SFY 2012-13. GSC appropriations do not fund fringe benefits for employees of the New York State Legislature, the Judiciary, certain positions within the State University of New York or positions funded through Special Revenue Funds. Therefore GSC cash disbursements are higher than the recommended appropriations.

The SFY 2013-14 Executive Budget includes a Payment-In-Lieu-Of-Taxes provision for the Hudson Black River Regulating District (HRBR). HRBR is a New York State public benefit corporation that regulates the flow of water into two Adirondack Region watershed: the Upper Hudson River and the Black River. The cost of the PILOT for SFY 2013-14 would be $1 million and reflects the State's share of assessments issued by the Hudson-Black River regulating district.

**Article VII.** The SFY 2013-14 Executive Budget proposes a stable pension contribution option that would allow local governments and school districts to lock in a stabilized pension contribution rate for 25 years. Further detail is provided in the Article VII summary section of this report (Public Protection / General Government Part G).

The Executive Budget proposes to eliminate State reimbursement of the Income Related Medicare Adjustment (IRMAA) for State retirees who exceed certain income thresholds and are enrolled in Medicare Part B. The full annual savings of this proposal is a reduction in General State Charges of approximately $2.3 million for SFY 2013-14. Further details are available in the Article VII section of this report (Public Protection General Government Part H).

## Office of Information Technology Services (OITS)

The SFY 2013-14 Executive Budget recommends an All Funds spending amount of $173.4 million, an increase of $114.2 million or 192 percent.

The above cash spending is supported by $563 million in All Funds appropriation authority, which represents an increase of approximately $128.9 million or 29.6 percent from SFY 2012-13. **Of this amount $122 million was transferred from other state agencies to the OITS Internal Services Fund to support the continued centralized of selected technology related services.**

The SFY 2013-14 Executive Budget also includes a new capital projects appropriation in the amount of $60 million. These funds would be used for bonded capital related to unspecified technology projects.

**The increased spending is driven by the migration of technology professionals from State agencies to OITS. During SFY 2012-13, 3,342 FTE were transferred to OITS. Of the**

**personnel transferred, 87 percent were in Information Technology related positions.**

The mission of OITS is to centrally manage the State's technology services. There are four enterprise projects related to this endeavor:

- Data center consolidation, the goal is to migrate approximately 50 data centers to one primary data center disaster recovery site.
- Consolidate the existing 27 email applications into one centrally run email platform.
- Implement Voice Over Internet Protocol (IP) to combine voice and data.
- Use Enterprise Identity Access Management (EIAM) to reduce technology silos in State agencies.

**Article VII**. The Executive Budget contains language to transfer the functions of the Office of Cyber Security to OITS from the Division of Homeland Security and Emergency Services. Further detail is provided in the Article VII summary section (Public Protection / General Government Part N).

**Workforce Impact.** The Executive requests authorization for an additional 55 full time equivalents (FTE) to bring the agency total to 3,533.

## State Inspector General (IG)

The SFY 2013-14 Executive Budget recommends All Funds cash disbursement of $7.8 million, an increase of $1.9 million or 31.7 percent. Of this amount, $1.4 million is spending from the Office of the Welfare Inspector General (OWIG). When combined, the SFY 2012-13 cash disbursements of the State IG and OWIG increase by $734,000 or approximately 10 percent.

The above cash spending is supported by $8.1 million in All Funds appropriation authority, which represents an increase of approximately $1.3 million or 19.1 percent from SFY 2012-13.

The Executive Budget proposes to merge the OWIG into the Office of the State IG. The Executive's justification for the merger is to provide a greater concentration of resources so more welfare fraud cases can be investigated. In SFY 2011-12, OWIG investigated approximately 50 percent of the cases received.

To accommodate the merger, Enacted SFY 2012-13 appropriations have been increased by $1.5 million. This increases SFY 2012-13 appropriations from $6.8 million to $8.3 million. When considering the transferred-in OWIG appropriations, overall appropriation authority for SFY 2013-14 decreases by $220,000.

**Article VII.** The Executive Budget includes language to effectuate the merger of OWIG into the State IG. Further detail is provided in the Article VII summary section of this report (Education, Labor and Family Assistance Part I).

**Workforce Impact.** The Executive requests authorization for an additional four full time equivalent positions (FTE) to accommodate the expanded mission of the State IG. This would increase agency staffing level to 72 FTE.

## Joint Commission On Public Ethics (JCOPE)

The SFY 2013-14 Executive Budget recommends an All Funds spending amount of $4.9 million, which is an increase of $921,000 or 23.3 percent from SFY 2012-13.

The above cash spending is supported by $4.9 million in All Funds appropriation authority, which represents an increase of approximately $831,000 or 20.3 percent from SFY 2012-13.

The role of JCOPE has been expanded to include inputting the ethics packages for Legislators and legislative employees into a data base housed within the Office of General Services (OGS).

**Workforce Impact.** The Executive requests authorization for an additional eight full time equivalents (FTE) to accommodate enhanced audit and enforcement responsibility. This would increase JCOPE staffing to 53 FTE, which is their maximum fill. The additional FTE would include one associate counsel, one confidential assistant and six auditors.

## Local Government Assistance

Local Government Assistance includes traditional direct unrestricted aid programs and would be impacted by changes in other program areas such as education and health and human services. The Executive estimates that these changes to other program areas would positively impact municipalities and school districts by approximately $944 million in the local fiscal year ending 2014.

***Unrestricted Aid***

The **Aid and Incentives for Municipalities (AIM)** program, created in 2005, consolidated several unrestricted aid programs referred to as revenue sharing for cities, towns and villages. The Executive proposes AIM funding to be $714.7 million for SFY 2013-14, no change from the current fiscal year 2012-13 spending levels.

**Video Lottery Terminal (VLT) Impact Assistance** to the eligible host municipalities is recommended at $25.9 million for SFY 2013-14, no change from SFY 2012-13 levels.

**Small Government Assistance** ($217,300) is also maintained at SFY 2012-13 levels while Miscellaneous Financial Assistance ($1.96 million) has been reduced by $40,000. An additional $1.9 million of small government assistance is funded through the Education Department. Small Government Assistance was created in 2004 to provide partial relief for localities affected by State forest property tax exemptions. Miscellaneous Financial Assistance was created in 2005 to provide assistance to Madison and Oneida Counties for short falls in real property tax collections related to Indian land claims.

***Local Government Consolidation Programs***

The SFY 2013-14 Executive Budget includes $75 million in appropriations to encourage local government consolidation and shared services. Cash disbursements for the program are expected to total $14.3 million for SFY 2012-13, of which $1.7 million will be spent on consolidation measures and $12.6 million on planning efficiencies. Because municipal consolidation is a lengthy process, local governments would probably not access these funds for several years.

The Executive proposal changes the structure of the Local Government Efficiency Grant program (LGEG) to now require a 50 percent local government match instead of the current 10 percent match on all planning grants. If the planning grants findings are implemented, the local match will go back to only 10 percent. Also, the amount of money allowable for LGEG grants will be lowered from $25,000 for municipalities and $200,000 per grant to $12,500 per municipality and no more than $100,000 per grant.

Similar to the reform mentioned above, the Citizens Re-Organization Empowerment Grant program (CERG) will also now require a 50 percent local government match instead of a 10 percent match for all government initiated planning grants for consolidation. A voter-initiated planning grant or dissolution would still only require a 10 percent match and local governments would be reimbursed for all but 10 percent of the cost if they go ahead with implementing a project as a result of the CERG planning grant. (*Article VII: PPGG S.2605-Part K*)

**Department of State**

The SFY 2013-14 Executive Budget for the Department of State (DOS) proposes All Funds Cash spending of $126 million, a decrease of $9 million from SFY 2012-13. Major changes include:

- A decrease of $12.2 million (76 percent), from $71.6 million to $59.3 million in Local Assistance Grants. This change is largely attributable to the loss of community projects funding to support these grants, the elimination of Legislative adds from previous years, and structural changes to Local Assistance Grants (including an increase in the recipients matching requirement from 10 to 50 percent). The funding level of $59.3 million for Local Assistance Grants is projected in the out-years as well, of which $3.8 million comes from State funds.

An increase of $1 million within the Business and Licensing Special Revenue Other (SRO) account, as a result of moving the Administrative State Operations from the General Fund. A total of $30 million in cash disbursements from the Business and Licensing SRO are proposed for SFY 2013-14. This includes $300,000 for three new FTE positions to support changes to the Notice of Claim process within DOS. These three FTE positions would be paid for out of the Business and Licensing SRO.

- An increase of $2.4 million in General State Charges which is largely attributable to an increase of approximately 4 percent in the fringe benefit rate over SFY 2012-13. The increase in the fringe benefit rate reflects costs such as workers compensation, and pension costs, and has increased partly in response to retirement incentive's enacted in SFY 2010-11.

- The SFY 2013-14 Executive proposal eliminates appropriations for Public Utility Law Project (PULP), totaling $505,000 and the current $4 million appropriation for the Local Waterfront Revitalization Program, which was added to DOS in SFY 2012-13.

- A $10 million appropriation is proposed for the Brownfield Opportunity Areas (BOA) Program to fund existing applications and projects. On a cash basis, there will be no impact from this change in SFY 2013-14. However this change is projected to increase cash disbursements in SFY 2014-15 by $2.2 million.

A total of 30 new FTE positions are proposed as follows:

Business and Licensing Services will add 22 new FTEs. Three FTEs for implementation of Notice of Claim functions; seven for E-Licensing; and 12 would be for enforcement, and revenue collection purposes.

Local Government and Community Services – 8 new FTEs.

**Department of Taxation and Finance**

The Executive recommends a Department of Taxation and Finance cash disbursement level of $380.2 million for SFY 2013-114, a decrease of $21.9 million or 5.5 percent over the current SFY level of $402.2 million. This cash decrease is mainly the result of transferring technology and information services employees to the Office of Information Technology Services. These decreases are partially offset by the hiring of 204 new FTE positions of which 200 are auditors to help with tax enforcement initiatives.

The total All Funds appropriation for the Department of Taxation and Finance has increased by $19.2 million for SFY 2013-14 mainly resulting from a new $52 million Tax Contact Center, internal service fund, appropriation that will charge back agencies who will utilize the Department's call center under the Governor's shared services plan.

The Executive proposes to make permanent the Tax Modernization provisions enacted in the current fiscal year. Theses Tax Modernization provisions include the e-filing mandate, the authority to utilize electronic communications with taxpayers and improved sales tax compliance. These actions are expected to generate revenue of $6 million in SFY 2013-14 and $22 million annually thereafter.

## General Government and Local Government Assistance
## Proposed Disbursements - All Funds

(Thousands of Dollars)

| Agency | Estimated 2012-13 | Proposed 2013-14 | Change Amount | Change Percent |
|---|---|---|---|---|
| Alcoholic Beverage Control | 16,960 | 18,175 | 1,215 | 7.2% |
| Audit and Control | 173,479 | 173,000 | (479) | -0.3% |
| Division of the Budget | 33,515 | 33,285 | (230) | -0.7% |
| Civil Service | 14,228 | 13,783 | (445) | -3.1% |
| State Board of Elections | 18,335 | 27,714 | 9,379 | 51.2% |
| Office of Employee Relations | 2,606 | 2,605 | (1) | -0.0% |
| Executive Chamber | 13,578 | 13,578 | 0 | 0.0% |
| Financial Services | 486,283 | 505,837 | 19,554 | 4.0% |
| Gaming Commission | 191,238 | 189,436 | (1,802) | -0.9% |
| Information Technology Services | 59,325 | 173,443 | 114,118 | 192.4% |
| Office of the Lt. Governor | 614 | 614 | 0 | 0.0% |
| Office of General Services | 230,083 | 233,519 | 3,436 | 1.5% |
| General State Charges | 3,829,130 | 4,107,034 | 277,904 | 7.3% |
| Office of the Inspector General | 5,915 | 7,789 | 1,874 | 31.7% |
| Commission on Public Integrity | 3,959 | 4,880 | 921 | 23.3% |
| Local Government Assistance | 763,222 | 766,718 | 3,496 | 0.5% |
| Public Empl. Relations Board | 3,731 | 3,731 | 0 | 0.0% |
| Department of State | 135,555 | 126,435 | (9,120) | -6.7% |
| Taxation and Finance | 402,162 | 380,288 | (21,874) | -5.4% |
| Division of Tax Appeals | 3,101 | 3,174 | 73 | 2.4% |
| **Totals:** | **6,387,019** | **6,785,038** | **398,019** | **6.2%** |

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

| | Projected 2012-13 | Proposed 2013-14 | Change | Percent Change |
|---|---|---|---|---|
| **Personal Income Tax** | 39,900 | 42,520 | 2,620 | 6.6% |
| **User Taxes and Fees** | | | | |
| Sales and Use | 11,994 | 12,533 | 539 | 4.5% |
| Cigarette and Tobacco | 1,561 | 1,535 | (26) | -1.7% |
| Motor Fuel Tax | 490 | 500 | 10 | 2.0% |
| Alcoholic Beverage | 249 | 249 | - | 0.0% |
| Highway Use tax | 141 | 140 | (1) | -0.7% |
| Auto Rental Tax | 109 | 114 | 5 | 4.6% |
| Taxicab Surcharge | 86 | 96 | 10 | 11.6% |
| **Total** | 14,630 | 15,167 | 537 | 3.7% |
| **Business Taxes** | | | | |
| Corporation Franchise | 2,991 | 3,310 | 319 | 10.7% |
| Corporation and Utilities | 839 | 811 | (28) | -3.3% |
| Insurance | 1,448 | 1,531 | 83 | 5.7% |
| Bank Tax | 1,823 | 1,618 | (205) | -11.2% |
| Petroleum Business | 1,125 | 1,190 | 65 | 5.8% |
| **Total** | 8,226 | 8,460 | 234 | 2.8% |
| **Other Taxes** | | | | |
| Estate and Gift | 1,075 | 1,135 | 60 | 5.6% |
| Real Estate Transfer | 685 | 705 | 20 | 2.9% |
| Pari-Mutuel | 18 | 18 | - | 0.0% |
| Other | 1 | 1 | - | 0.0% |
| **Total** | 1,779 | 1,859 | 80 | 4.5% |
| **Payroll Tax** | 1,160 | 1,219 | 59 | 5.1% |
| **Total Taxes** | **65,695** | **69,225** | **3,530** | **5.4%** |
| Miscellaneous Receipts | 25,000 | 23,880 | (1,120) | -4.5% |
| **Total Receipts** | **90,695** | **93,105** | **2,410** | **2.7%** |
| Federal Grants | 44,131 | 49,358 | 5,227 | 11.8% |
| **Total Receipts and Federal Grants** | **134,826** | **142,463** | **7,637** | **5.7%** |

Source: New York State Division of the Budget.

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

| | Projected 2012-13 | Proposed 2013-14 | Change | Percent Change |
|---|---|---|---|---|
| **Personal Income Tax** | | | | |
| Withholding | 31,928 | 33,666 | 1,738 | 5.4% |
| Estimated Payments | 11,862 | 12,708 | 846 | 7.1% |
| Final Returns | 2,153 | 2,266 | 113 | 5.2% |
| Other Payments | 1,174 | 1,208 | 34 | 2.9% |
| Gross Collections | 47,117 | 49,848 | 2,731 | 5.8% |
| STAR Special Revenue Fund | (3,276) | (3,419) | (143) | 4.4% |
| Refunds | (7,216) | (7,328) | (112) | 1.6% |
| Revenue Bond Tax Fund | (9,976) | (10,630) | (654) | 6.6% |
| **Net Collections** | 26,649 | 28,471 | 1,822 | 6.8% |
| **User Taxes and Fees** | | | | |
| Sales and Use | 8,430 | 8,802 | 372 | 4.4% |
| Cigarette/Tobacco | 448 | 441 | (7) | -1.6% |
| Alcoholic Beverage | 249 | 249 | - | 0.0% |
| **Total** | 9,127 | 9,492 | 365 | 4.0% |
| **Business Taxes** | | | | |
| Corporate Franchise | 2,615 | 2,881 | 266 | 10.2% |
| Corporate Utilities | 655 | 633 | (22) | -3.4% |
| Insurance | 1,291 | 1,364 | 73 | 5.7% |
| Bank | 1,522 | 1,366 | (156) | -10.2% |
| **Total** | 6,083 | 6,244 | 161 | 2.6% |
| **Other Taxes** | | | | |
| Estate and Gift | 1,075 | 1,135 | 60 | 5.6% |
| Pari-mutuel | 18 | 18 | - | 0.0% |
| Other | 1 | 1 | - | 0.0% |
| **Total** | 1,094 | 1,154 | 60 | 5.5% |
| **Total Tax Collections** | **42,953** | **45,361** | **2,408** | **5.6%** |
| **Miscellaneous Receipts** | 3,784 | 3,103 | (681) | -18.0% |
| **Total Receipts** | **46,737** | **48,464** | **1,727** | **3.7%** |

Source: New York State Division of the Budget.

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

| | Proposed 2013-14 | Proposed 2014-15 | Change | Percent Change |
|---|---|---|---|---|
| **Personal Income Tax** | 42,520 | 43,956 | 1,436 | 3.4% |
| **User Taxes and Fees** | | | | |
| Sales and Use | 12,533 | 13,104 | 571 | 4.6% |
| Cigarette and Tobacco | 1,535 | 1,508 | (27) | -1.8% |
| Motor Fuel Tax | 500 | 503 | 3 | 0.6% |
| Alcoholic Beverage | 249 | 253 | 4 | 1.6% |
| Highway Use tax | 140 | 143 | 3 | 2.1% |
| Auto Rental Tax | 114 | 119 | 5 | 4.4% |
| Taxicab Surcharge | 96 | 100 | 4 | 4.2% |
| **Total** | 15,167 | 15,730 | 563 | 3.7% |
| **Business Taxes** | | | | |
| Corporation Franchise | 3,310 | 2,690 | (620) | -18.7% |
| Corporation and Utilities | 811 | 838 | 27 | 3.3% |
| Insurance | 1,531 | 1,580 | 49 | 3.2% |
| Bank Tax | 1,618 | 1,706 | 88 | 5.4% |
| Petroleum Business | 1,190 | 1,225 | 35 | 2.9% |
| **Total** | 8,460 | 8,039 | (421) | -5.0% |
| **Other Taxes** | | | | |
| Estate and Gift | 1,135 | 1,205 | 70 | 6.2% |
| Real Estate Transfer | 705 | 760 | 55 | 7.8% |
| Pari-Mutuel | 18 | 18 | - | 0.0% |
| Other | 1 | 1 | - | 0.0% |
| **Total** | 1,859 | 1,984 | 125 | 6.7% |
| **Payroll Tax** | 1,219 | 1,317 | 98 | 8.0% |
| **Total Taxes** | **69,225** | **71,026** | **1,801** | **2.6%** |
| Miscellaneous Receipts | 23,880 | 24,214 | 334 | 1.4% |
| **Total Receipts** | **93,105** | **95,240** | **2,135** | **2.3%** |
| Federal Grants | 49,358 | 48,599 | (759) | -1.5% |
| **Total Receipts and Federal Grants** | **142,463** | **143,839** | **1,376** | **1.0%** |

Source: New York State Division of the Budget.

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

| | Proposed 2013-14 | Proposed 2014-15 | Change | Percent Change |
|---|---|---|---|---|
| **Personal Income Tax** | | | | |
| Withholding | 33,666 | 35,111 | 1,445 | 4.3% |
| Estimated Payments | 12,708 | 13,542 | 834 | 6.6% |
| Final Returns | 2,266 | 2,151 | (115) | -5.1% |
| Other Payments | 1,208 | 1,245 | 37 | 3.1% |
| Gross Collections | 49,848 | 52,049 | 2,201 | 4.4% |
| STAR Special Revenue Fund | (3,419) | (3,602) | (183) | 5.4% |
| Refunds | (7,328) | (8,093) | (765) | 10.4% |
| Revenue Bond Tax Fund | (10,630) | (10,989) | (359) | 3.4% |
| **Net Collections** | 28,471 | 29,365 | 894 | 3.1% |
| **User Taxes and Fees** | | | | |
| Sales and Use | 8,802 | 9,202 | 400 | 4.5% |
| Cigarette/Tobacco | 441 | 435 | (6) | -1.4% |
| Alcoholic Beverage | 249 | 253 | 4 | 1.6% |
| **Total** | 9,492 | 9,890 | 398 | 4.2% |
| **Business Taxes** | | | | |
| Corporate Franchise | 2,881 | 2,225 | (656) | -22.8% |
| Corporate Utilities | 633 | 660 | 27 | 4.3% |
| Insurance | 1,364 | 1,408 | 44 | 3.2% |
| Bank | 1,366 | 1,443 | 77 | 5.6% |
| **Total** | 6,244 | 5,736 | (508) | -8.1% |
| **Other Taxes** | | | | |
| Estate and Gift | 1,135 | 1,205 | 70 | 6.2% |
| Pari-mutuel | 18 | 18 | - | 0.0% |
| Other | 1 | 1 | - | 0.0% |
| **Total** | 1,154 | 1,224 | 70 | 6.1% |
| **Total Tax Collections** | **45,361** | **46,215** | **854** | **1.9%** |
| **Miscellaneous Receipts** | 3,103 | 3,030 | (73) | -2.4% |
| **Total Receipts** | **48,464** | **49,245** | **781** | **1.6%** |

Source: New York State Division of the Budget.

| Summary of Statutory Tax and Fee Increases | | |
|---|---|---|
| SFY 2013-14 Executive Budget (thousands of dollars) | | |
| | **SFY 2013-14** | **Full Annual Impact** |
| General Fund Fee Increases | $0 | $0 |
| Special Revenue Fund Fee Increase | $609,000 | $624,000 |
| **Fee Increases Total** | **$609,000** | **$624,000** |
| Tax Increases | $313,000 | $653,000 |
| **Sub-Total Tax and Fee Increases** | **$922,000** | **$1,277,000** |
| Enforcement and Other Revenue Sources | $81,190 | $104,190 |
| **Grand Total Revenue Increases** | **$1,003,190** | **$1,381,190** |
| Tax Credits | $0 | ($1,000) |
| **Net Total Revenue Increases Less Tax Credits** | **$1,003,190** | **$1,380,190** |

| Tax Increases | | |
|---|---|---|
| **SFY 2013-14 Executive Budget** (thousands of dollars) | | |
| | **SFY 2013-14** | **Full Annual Impact** |
| Extend the High Income Charitable Contribution Deduction Limitation for Three Years | $70,000 | $140,000 |
| Extend 18-A Utility Assessment | $236,000 | $472,000 |
| Extend MTA Business Tax Surcharge for Five Years* | $0 | $0 |
| Royalty Income Tax | $0 | $28,000 |
| IDA Sales Tax Increase | $7,000 | $13,000 |
| **Tax Increase Total** | **$313,000** | **$653,000** |

*** No State Financial Plan impact, will raise $957 million annually for the Metropolitan Transportation Authority (MTA)**

| New or Expanded Tax Credits | | |
|---|---|---|
| **SFY 2013-14 Executive Budget (thousands of dollars)** | | |
| **Description** | **SFY 2013-14** | **Full Annual Impact** |
| Establish New York Innovation Hot Spots Program | $0 | $0 |
| Establish Tax-Free Sales at NY Taste Facilities | $0 | $0 |
| Establish the Charge-NY electric vehicle recharging equipment credit | $0 | ($1,000) |
| New York Film Production Credit Enhancement and Extension | $0 | $0 |
| Historic Commercial Properties Rehabilitation Tax Credit | $0 | $0 |
| **Total Amount of Tax Credits** | $0 | ($1,000) |

| Statutory Fee Increases | | | | | |
|---|---|---|---|---|---|
| SFY 2013-14 Executive Budget (thousands of dollars) | | | | | |
| Effective Date | Description | Current Fee | Proposed Fee | SFY 2013-14 | Full Annual Impact |
| **General Fund Fee Increases** | | | | | |
| **NONE** | | | | | |
| **General Fund Fee Increase Total** | | | | **$0** | **$0** |
| **Special Revenue Fund Fee Increases** | | | | | |
| **Environmental Conservation** | | | | | |
| 4/1/2013 | Makes waste tire fee permanent | $2.50 | $2.50 | $9,000 | $24,000 |
| **Department of Health** | | | | | |
| 4/1/2013 | Make Permanent the Gross Receipts Assessment on Nursing Homes | 6% | 6% | $600,000 | $600,000 |
| **Department of State** | | | | | |
| 4/1/2013 | Handling Fee One Year Extender | $25 | $25 | $0 | $0 |
| **Special Revenue Fund Fee Increase Total** | | | | **$609,000** | **$624,000** |

| Enforcement and Other Revenue Actions | | | | | |
|---|---|---|---|---|---|
| **Gaming Commission** | | | | | |
| 4/1/2013 | Extend Monticello VLT Rates for One Year | Various | Various | -$3,000 | $0 |
| 4/1/2013 | Make Pari-Mutuel Rates Permanent | N/A | N/A | $0 | $0 |
| 4/1/2013 | Eliminate Square Footage Quick Draw Restrictions | N/A | N/A | $12,000 | $24,000 |
| 4/1/2013 | Redirect Racing Purse Money Generated by VLTs | N/A | N/A | $2,000 | $2,000 |
| **Public Service Commission** | | | | | |
| 4/1/2013 | Utility Enforcement Penalty | Various | Various | $0 | $0 |
| 4/1/2013 | One Call Penalties | Various | Various | $190 | $190 |
| **State Liquor Authority** | | | | | |
| 4/1/2013 | Create Five NY Taste NY Facility Licences, $500 licences | N/A | $500 | $0 | $0 |
| **State Police** | | | | | |
| 4/1/2013 | Reduce Vehicle and Traffic Plea Bargaining | Various | Various | $16,000 | $25,000 |
| **Department of Taxation and Finance** | | | | | |
| 7/1/2013 | Expand the Cigarette and Tobacco Retailer Registration Clearance Process | N/A | N/A | $1,000 | $1,000 |
| 7/1/2013 | Increase Civil Pentalty for Possessing Unstamped Cigarettes | $150 per Carton | $600 per carton | $9,000 | $12,000 |
| 7/1/2013 | Expand Refusal and Revocation of Sales Tax Certification of Authority | N/A | N/A | $1,000 | $1,000 |
| 7/1/2013 | Suspend Delinquent Taxpayers Driver's Licenses | N/A | N/A | $26,000 | $6,000 |
| 7/1/2013 | Warrantless Wage Garnishment | N/A | N/A | $10,000 | $10,000 |
| 7/1/2013 | Make Tax Modernization Provision Permanent | N/A | N/A | $6,000 | $22,000 |
| 7/1/2013 | Establish Statewide STAR Anti-Fraud Protection Program | N/A | N/A | $1,000 | $1,000 |
| **Enforcement and Other Revenue Action Totals** | | | | **$81,190** | **$104,190** |

# RECEIPTS, TAXES AND FEES

The SFY 2013-14 Executive Budget also contains a number of tax increases from current law and revenue changes. The following is a list of those changes:

## ***Personal Income Tax***

Limitation on Itemized Deduction for Charitable Contributions

The Executive proposes extending the limitation on itemized deductions for charitable contributions for three years until December 31, 2015. In 2009, legislation was enacted which limited the total amount of itemized deductions that a high income earner could claim. For those taxpayers with adjusted gross incomes over $1 million, the only itemized deduction that could be claimed was for charitable contributions. However, the amount was limited to 50 percent of the charitable contributions made.

In 2010, itemized deductions for charitable contributions were further limited. For those taxpayers with incomes in excess of ten million dollars, the taxpayer could claim only 25 percent of the charitable contributions. However, if the limits on charitable contributions do not exceed the standard deduction, the taxpayer could claim the standard deduction, ranging from $7,500 to $15,000, depending upon filing status.

The 25 percent limitation was only temporary and expired on December 31, 2012. This proposal would extend this limitation for three more years. This proposal would increase taxes by $70 million in SFY 2013-14.

## ***Business Taxes***

Metropolitan Transportation Authority (MTA) Business Tax Surcharge

The Executive proposes extending the temporary 17 percent MTA business tax surcharge for five years. The temporary tax surcharge, first enacted in 1981, 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. This tax is scheduled to sunset for taxable years ending on or before December 31, 2013. The surcharge was last extended in 2008. This extension is estimated to raise $957 million annually for the MTA.

Innovation Hot Spots

The Executive proposes creating "tax free" innovation hot spots around the State in order to initiate collaboration between the State's higher education institutions and businesses that are in their formative stages. A total of **ten hot spots** would be created throughout the State, **designated by the Department of Economic Development.** Five would be designated in SFY 2013-14 and five in SFY 2014-15. Hot spot designations would be recommended by the regional economic development councils. The Executive anticipates that **one hot spot would be located in each of the ten economic development regions** of the State.

The businesses that locate in the innovation hot spot would receive certain business and sales tax benefits. However, the qualified **business would not be totally exempt from these taxes** as touted. If the qualified businesses has related business partners or is a sole proprietor or a limited liability company (LLC), it would be allowed to deduct its income or gain derived from its operations in the hot spot from its federal adjusted gross income. However, if the business files its taxes under the corporate franchise tax, it would still be subject to the fixed minimum tax ranging from $100 to $1,500. If the business were a limited liability company or a partnership, it would be required to pay the LLC filing fee ranging from $25 to $4,500. Additionally, the **business could not claim any other credit or deduction if they are participating in this program.**

In relation to the sales tax, the qualified business would be allowed to claim a refund of any sales taxes paid on the purchase of tangible personal property or services associated with the business.

<u>Historic Commercial Properties Credits</u>

The Executive proposes extending and enhancing the Historic Commercial Properties Credit. The sunset will be extended from December 31, 2014 to December 31, 2019. The credit will also be **made a refundable credit**. These changes are not expected to have any fiscal impact until after SFY 2016-17 at which time the fiscal impact may be close to $7 million annually.

<u>Electric Vehicle Recharging Equipment Credit</u>

The Executive proposes creating a credit for installing electric vehicle recharging property. The credit will equal the lesser of 50 percent of the cost of such property or $5,000. The Article VII legislation amends the Alternative fuel vehicle recharging property credit that expired in 2010, however the credit for other alternative fuel refueling property is not included in this legislation. This credit is expected to offer $1 million in benefits when fully implemented.

<u>Film Tax Credit</u>

The Executive proposes **adding $2.1 billion** to the credit allocation of the **film tax credit**. There would be an additional $420 million for 2015 and each of the next succeeding four years. Of the annual $420 million increase, the amount allocated to the e**mpire state post production tax credit** would increase from $7 million to $25 million. It also adds the caveat that if the money from the film credit pool is not allocated for the year, the remainder may be available for the post production credit. Also added to the definition of "Qualified film" is a "Relocation television production" which is defined as a talk or variety show that has been shooting outside of New York State for at least five seasons and must have New York production costs of at least $30 million annually or $10 million in capital expenditures. These changes will take effect for new applicants only.

The proposal eases the post production expensing requirement for the film tax credit; the film production will no longer be required to spend at least 75 percent of its post production budget in New York in order to include post production costs in expenses that qualify for the film credit. These relaxed requirements will take effect for those applications that have been submitted but not yet finalized.

The post production credit is modified so that the cost of visual effects and animation are no longer included in the calculation of the 75 percent of post production costs necessary to be performed in New York in order to qualify for the credit. However, the film can still receive post production credits for visual effects and animation if the cost of such is at least $3 million or 20 percent of total post production costs. These relaxed requirements will take effect for those applications that have been submitted but not yet finalized.

The Executive is also proposing an expansion of data that is contained in the annual report to include: credit eligible man hours and the names of the companies that receive credits from the program. The proposal also requires the office of motion picture and television development to file a report bi-annually which includes the efficacy of the credits and requires that the office hire an independent third party to conduct a study on the economic impact of the credit. This provision will only be effective for new applicants.

The Office for Motion Picture and Television Development publishes data outlining the projects that have received film tax credits since its inception. The latest data available shows that less than nine percent of the shoot days for credit eligible films and television shows were shot outside of New York City. If the credits were apportioned to shoot days, less than nine percent of the credit was generate from productions outside of New York City.

This part would increase film credit refunds by $420 million beginning in SFY 2016-17 and for each of the next four years.

## *Taste-NY*

The Executive Budget proposes creating the Taste-NY program which would establish retail facilities to promote New York products, including alcoholic beverages through the use of a sales tax exemption. These retail facilities would be established at facilities owned by the State or one of its authorities, such as the Port Authority, the Metropolitan Transportation Authority, or the Thruway Authority and it is envisioned that these stores would predominantly sell New York products. Although the legislation simply states that the facility "prominently features products produced within the state." Sales of products from outside the state would also be exempt. All of the products sold at these venues that have a retail price of less than $200 would be exempt from state and local sales tax.

The Executive anticipates creating five retail facilities in SFY 2013-14, although the legislation does not impose a limit on the number that can be established. There will be a $500 license fee to operate a Taste-NY facility. Businesses would contract with the State to operate the facilities but, there are many other details of the program that are unclear. The fiscal impact for SFY 2013-14 is expected to be minimal.

## *IDA Sales Tax Exemptions*

The Executive proposes limiting the types of businesses to which Industrial Development Agencies (IDAs) can provide exemptions from the state sales tax to only those types of businesses that are eligible for the Excelsior Jobs Tax Credit Program.

These businesses include: scientific research and development, software development, agriculture, manufacturing, back office firms, and distribution firms. In addition, the IDAs would have to create a plan of the project and have it approved by the Empire State Development Corporation. The project would also have to be approved by the regional economic development council.

Currently, the IDAs provide the sales tax exemption to a project developer through the issuance of an exemption certificate. The Executive proposal would eliminate this ability and, instead, the project developer would have to apply for a refund or credit of sales taxes paid with the Tax Department. In addition, if the project was not developed or it did not meet its economic or job creation goals, the State would be able to recapture the sales tax. This proposal would increase taxes by $7 million in SFY 2013-14.

## *Sales and Use Taxes*

Compressed Natural Gas (CNG) Exemption Clarification

The Executive proposes a technical amendment to the sales tax exemption on alternative fuels. Currently the purchase of CNG is exempt from the sales tax along with other alternative fuels (E85 and hydrogen), however, the uncompressed natural gas that will be compressed is not specifically exempt. This is not expected to have any fiscal impact.

Sales Tax Certificates of Authority

The Executive proposes providing authority to the Department of Taxation and Finance to expand the criteria to **refuse to issue Certificates of Authority** (COAs). The expansion of the criteria would include any conviction under New York State penal law or by any other state and the federal government if the "underlying conduct" would constitute a crime under the tax law (according to the Commissioner). The look back period for such convictions would be increased from one year to five. The criteria for refusal of a COA would also expand to include the non-payment of **any** tax liability (currently it is only for sales tax nonpayment).

This proposal expands the definition of a person responsible for the collection of sales tax as a person that has more than fifty percent of the voting rights or beneficial interest.

A business needs a COA before it can legally sell goods and services in New York State. This proposal is expected to increase revenue by $1 million in SFY 2013-14.

Local Sales Tax Rates

The Executive proposes giving localities that impose sales tax at rates above three percent permanent authority to impose those higher rates. Localities have authorization to impose a sales tax up to three percent without any state legislative action. Cities can preempt half this rate or 1 ½ percent without state legislative action. However if they want to impose a rate at higher than three percent or 1 ½% for cities, the locality needs approval from the State. Currently, every two years, each locality must get reauthorization from the State to impose the additional sales tax.

Under the proposal the **locality would have to adopt a local law every two years to continue imposing their additional rate** above three percent for counties or 1 ½% for cities. **If a locality wants to raise their rate above their current rate, whether that rate already is above three percent or not, they would still need State approval.**

The proposal also maintains any current law "non-preemption" rights for the additional rates.

**Additional Local Sales Tax Rates**
**(Current Rate/Rate in Proposed Bill)**

| Counties | Rate Above 3% |
|---|---|
| Chautauqua, Ontario, Schenectady | 1/2% |
| Dutchess, Essex, Jefferson, Lewis, Orange | 3/4% |
| Albany, Broome, Cattaraugus, Cayuga, Chemung, Chenango, Clinton, Columbia, Cortland, Delaware, Franklin, Fulton, Genesee, Greene, Livingston, Madison, Monroe, Montgomery, Niagara, Onondaga, Orleans, Oswego, Otsego, Putnam, Rensselaer, Rockland, Schoharie, Schuyler, Seneca, Steuben, Suffolk, Sullivan, Tioga, Tompkins, Ulster, Wayne, Wyoming, Yates | 1% |
| Herkimer, Nassau | 1 1/4% |
| Allegany | 1 1/2% |
| Erie, Oneida | 1 3/4% |

| Cities | Rate Above 1 1/2% |
|---|---|
| Mount Vernon, Yonkers, Oswego, New Rochelle, White Plains | 1% |

| Localities Not Imposing a Sales Tax Rate Above 3% or 1 1/2% |
|---|
| Counties of: Hamilton, St. Lawrence, Saratoga, Warren, Washington and Westchester. Cities of: Saratoga Springs and Glens Falls. |

## ***Fuel Taxes***

Volunteer Emergency Services Fuel Exemption

The Executive proposes equalizing the treatment of fuel used by volunteer ambulance squads, volunteer fire companies and other volunteer rescue squads. This proposal would create a reimbursement under the petroleum business tax for the fuel they use in performing their duties. Currently the fuel they use is exempt from the motor fuel excise tax and the sales tax. This part is expected to have a minimal fiscal impact.

## ***Lottery***

Eliminate Remaining Quick Draw Provisions

The Executive proposes eliminating the remaining quick draw restrictions that prohibit the Quick Draw game from being played at premises smaller than 2,500 square feet and that requires a person to be 21 years of age to play Quick Draw on premises where alcoholic beverages are served. This is expected to increase Quick Draw lottery receipts by $12 million in SFY 2013-14 and $24 million annually thereafter.

Monticello Casino and Raceway Tax Vendor Fee Extender

This proposal would extend for one year the enhanced commission at 41 percent of the total "net win" a Video Lottery Gaming (VLG) vendor may receive from VLG operations in Sullivan County (Monticello Casino and Raceway). This will decrease VLG receipts by $3 million in SFY 2013-14

## ***Pari-mutuel***

Make Pari-mutuel Tax Rates Permanent

Makes permanent the lower pari-mutuel tax rates and rules governing simulcasting of out-of-state races. This proposal has no SFY 2013-14 fiscal impact because the reduced rates are built into the base of the financial plan.

## ***Compliance and Enforcement***

Make Tax Modernization Provisions Permanent

The Executive Budget proposal makes permanent the Tax Modernization provisions enacted in the SFY 2012-13 budget. These provisions include the electronic filing (e-file) mandate on tax preparers who prepare more than 10 returns in the prior year (threshold is counted per taxpayer and not per form) and if a tax return contains a form that does not have the ability to be e-filed then the entire return will not have to be e-filed. The proposal extends the e-file and e-pay requirement that personal income taxpayers who use tax software must e-file their return, but does not have the $25 penalty for failure to do so. Finally, the proposal extends the Department of Tax and Finance's authorization to require sales tax vendors delinquent in payments to set up a segregated bank account in which the taxpayer is required to make weekly deposits of sales tax collections. These provisions were enacted on a temporary basis and are due to sunset at the end of 2013. This would increase revenues by $6 million in SFY 2012-13 and $22 million annually thereafter.

Cigarette and Tobacco Retail Clearance Expansion

The Executive proposal would grant the Commissioner of Taxation and Finance the authority to deny issuing a cigarette or cigarette vending machine certificate of registration application if the applicant has outstanding tax liabilities that are fixed and final. The Commissioner may also deny issuing a registration if the applicant or any representatives collecting the tax have been convicted of a crime in the past year. If the application is denied, upon written request, the Commissioner shall notify the applicant which person or persons were responsible for the denial of the issuance of their registration. This proposal will increase revenues by $1 million in SFY 2013-14 and annually thereafter. This provision would take effect immediately and apply to Certificate of Registration applicants filed for calendar year 2014 and thereafter.

Increase Unstamped Cigarette Possession Penalty

The Executive proposal would increase the penalty for possessing unstamped or unlawfully stamped cigarettes from $150 to $600 dollars for each carton (200 cigarettes) a person has in their possession which exceeds the maximum allowable amount of five cartons of unstamped cigarettes a person may have in their possession (1,000 cigarettes). This will increase cigarette tax receipts by $9 million in SFY 2013-14 and $12 million annually thereafter. The new penalties would take effect on June 1, 2013.

Suspend Delinquent Taxpayers' Driver's Licenses

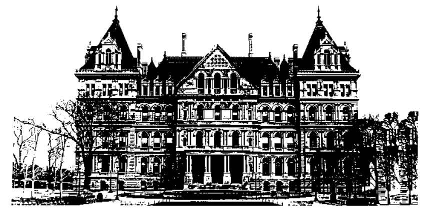
The Executive proposal would create a new program that allows the Commissioner of Taxation and Finance to enter into an information sharing agreement with the Commissioner of Motor Vehicles to allow a suspension of a taxpayer's driver's license when a taxpayer owes more than $10,000 in fixed and final tax liability. Any taxpayer whose license is suspended could apply for a restricted license. The license suspension program will not apply to commercial drivers licenses. The Tax Department must notify the taxpayer no later than 45 days before it intends to notify the Commissioner of Motor Vehicles about the delinquent taxpayer. The proposal also prohibits insurance companies from penalizing policyholders who have their license suspended under this program. This will increase revenues by $26 million in SFY 2013-14 and $6 million annually thereafter.

Warrantless Wage Garnishment

The Executive proposal would allow the Commissioner of Taxation and Finance to issue a wage garnishment through the taxpayer's employer without filing a tax warrant with the local County Clerk or in the Department of State. A warrantless wage garnishment can only be filed twenty-one days after notice and demand of payment goes to the taxpayer. The Commissioner cannot issue a warrantless wage garnishment more than 6 years after a warrant could have been eligible to filed by the Department. This will increase revenues by $10 million annually.

## ***Royalty Payments***

The Executive proposes changing the exclusion and addback rules that pertain to royalty payments between businesses that are "related members" (one company has ownership rights in the other). Currently, if a royalty payment is made between related members, the receiver of the royalty payment can exclude this payment from income if the payer of the royalty payment is a New York taxpayer. The proposal would change these rules so that the receiver of the royalty payment must addback the royalty payment to their entire net income if they cannot show clear and convincing evidence that the payment was made for a valid business purpose and that the payer was also subject to tax in another taxing jurisdiction; and that effective rate of tax in the other jurisdictions equals 80 percent of the rate of tax they paid in New York. This is expected to increase tax revenue by $28 million when fully implemented.



# SECTION TWO

## SENATE ISSUES IN FOCUS

# SUPERSTORM SANDY: THE IMPACT, RESPONSE AND RECOVERY

The Executive anticipates New York State will receive $30 billion from the $60 billion Federal Disaster Relief Aid Package. Federal reimbursement is expected for all $6 billion of FEMA eligible projects. Total State costs related to Superstorm Sandy after Federal reimbursement is estimated to total $2 million.

Of the $30 billion in Federal assistance, the Executive assumes $13.9 billion will flow through the State Budget and $16.1 billion will be distributed directly to recipients. The estimated Sandy relief spending through the State Budget for SFY 2012-13 is $1.5 billion and $5.1 billion in SFY 2013-14. Federal funding is only available through 2017. Project lists and a regional break down of the State appropriated disaster aid was not included in the Executive Budget documents.

***The Impact of Sandy***

On the evening of October 29th, 2012, Superstorm Sandy wreaked havoc on New York City and the counties of Suffolk, Nassau, Westchester and Rockland.

The approximate number of homes destroyed or damaged totals 305,000, displacing 40,000 people in New York City alone. Power for 2.19 million households was out for days, weeks, or even months. Approximately 265,300 businesses were affected by Sandy, resulting in significant losses of revenue and increasing unemployment.

The Executive is requesting the following federal aid based on need totaling $32.9 billion, reflected in the table below. These costs are largely reflective of damage done to homes, businesses, transportation facilities and infrastructure.

| Estimated Cost of Response and Recovery in New York (in millions) | Estimated Costs |
|---|---|
| State Agency Public Assistance (PA), Individual Assistance, (IA) Federal Highway Administration (FHWA) Claims | $1,393 |
| State Housing Relief Program | $100 |
| Local Government PA Claims | $4,230 |
| *non-NYC* | $2,014 |
| *NYC* | $2,216 |
| New York City Housing Authority (NYCHA) PA Claims | $1,550 |
| Health and Hospital Corporation (HHC) PA Claims | $800 |
| Transit Authority PA Claims | $5,864 |
| Non-Profit Health Institutions PA Claims | $2,045 |
| Utilities | $1,504 |
| Federal Emergency Management Agency (FEMA) IA-- Housing | $843 |
| Housing Losses | $8,122 |
| Business Losses | $6,000 |
| Government Operating Revenue Loss | $462 |
| **TOTAL COST** | $32,913 |
| *Source: Division of Budget (DoB) January 2013* | |

## Federal Aid

On January 15, 2012, the House of Representatives passed House Resolution (H.R.) 152 by a vote of 241-180. The bill covers all impacted states and totals $50.7 billion in Sandy relief funding. With the exception of $5.4 billion allocated to the Federal Emergency Management Agency (FEMA) all spending is designated as "emergency" and therefore exempt from discretionary caps.

The Department of Housing and Urban Development (HUD) will receive a majority of the funds, with a large portion dedicated to long term recovery, restoration, infrastructure, housing and economic revitalization in the most distressed areas. Eligible projects include those caused by Superstorm Sandy and disaster events in calendar years 2011, 2012 and 2013 (including storms Lee and Irene). Funding will remain available through fiscal year 2017.

In addition to H.R. 152, the House also has passed H.R. 41 on January 4th, increasing the National Flood Insurance Program's borrowing authority by $9.7 billion in response to approximately 115,000 claims awaiting processing from Superstorm Sandy. **House Resolutions 152 and 41 together commit almost $60.4 billion to Sandy relief.**

FEMA and the Federal Transit Authority (FTA) Emergency Relief Fund were granted the second and third largest allocations, with $11.8 billion and $10.9 billion, respectively. More than half of the total storm damage occurred in New York resulting in the expectation that the State will receive $30 billion, or half of the relief funding. The table at the bottom of the page outlines the funding by Federal agencies.

## Executive and New York Senate Task Forces

In November of 2012, the Executive established the following four commissions to evaluate the readiness of the State's response to disasters:

- **Moreland Commission** to investigate utilities;
- **NY Respond Commission** to reform emergency response;
- **NY Ready Commission** to ensure service preparedness; and
- **NY2100 Commission** to strengthen infrastructure.

**All Federal Sandy Relief Aid by Federal Agency**
(in millions of dollars)

| Agency | Amount | Purpose |
|---|---|---|
| Housing and Urban Development | $16,000 | Community Development Fund |
| Federal Emergency Management Agency (FEMA) | $11,800 | |
| Federal Transit Authority Emergency Relief | $10,900 | Split between NY and NJ; $5.4b for reducing future risk |
| Army Corps of Engineers | $5,350 | $3.5b for projects already under contruction, $1b for flood control |
| Emergency Highway Relief | $2,000 | |
| Interior Department | $836 | Repair of national parks, lands and facilities |
| Social Services | $800 | Health and Human Services |
| Environmental Proction Agency (EPA) | $608 | State and Tribal Assisstance Grants |
| Small Business Administration | $805 | Disaster loans |
| National Oceanic and Atmospheric Administration (NOAA) | $476 | For research, operations and facilities |
| Other Homeland Security Department Funding | $278 | U.S. Coast Guard |
| Veterans & Other Defense | $236 | |
| Other Transportation Department Spending | $116 | $86m to Amtrak, $30m to FAA |
| Other Defense Spending | $112 | $5m for Army, $40m for Navy, $9m for Air Force |
| Other Funding | $49 | $2m for the Smithsonian, $25m to Labor Department,$7m to the General Services Administration, $15m to damaged NASA facilities |
| Justice Department & Legal Services | $22 | FBI and Federal Prison System buldings - $10m each |
| Argriculture Department | $224 | Assistance to food banks |
| **Total in H.R. 152** | **$50,612** | |
| H.R. 41 | $9,700 | National Flood Insurance (over 115,000 claims made) |
| **Total (H.R. 41 & H.R. 152)** | **$60,312** | |

The New York State Bipartisan Senate Task Force for Hurricane Sandy Recovery was created on December 10, 2013 with three major goals:

- Identify areas most in need of recovery assistance;
- Review rebuilding and storm planning policies to remove roadblocks and ensure better storm-preparedness; and
- Develop legislative solutions.

The Taskforce toured areas hardest hit by the storm. The members of the Taskforce held roundtables in the Rockaways on December 10, 2012 and damaged regions of Long Island on January 3, 2013. Additionally, the Taskforce held a Hudson Valley roundtable in Rockland County on January 25, 2013 and will hold a roundtable on January 31, 2013 while touring Brooklyn, Lower Manhattan and Staten Island.

***<u>Executive SFY 2013-14 Proposed Superstorm Sandy Funding:</u>***

Federal aid totaling $16.1 billion will be directly disbursed by the New York State Housing Trust Fund Corporation, the Army Corps of Engineers, and FEMA. Federal Disaster funding requiring State appropriation spending authority totals $20.6 million. The Executive includes appropriations of $12.6 million to reflect the full amount of FEMA Public Assistance Aid anticipated, and to account for 15 percent under the Hazardous Mitigation (Section 406) of the Stafford Act. The table at the bottom of this page shows categories of the estimated $30 billion in aid.

New Federal Aid to Localities appropriations of $20.6 billion are proposed in the SFY 2013-14 State Budget specifically for Superstorm Sandy:

- **$12.6 billion** – For Recovery and Mitigation projects and reimbursement through the State to local governments, public authorities, and non-profits; and

**SFY 2013-14 ANTICIPATED NEW YORK FEDERAL DISASTER RELIEF AID**

| Program | Estimated Aid (in millions) | Recommended 2013-14 Appropriations |
|---|---|---|
| **Federal State Appropriations** | | |
| Disaster Relief Fund * | $6,000 | $12,650 |
| Transportation and Transit | $6,700 | $8,000 |
| Agriculture and Environment | $540 | |
| Employment and Small Business | $300 | |
| Public Health / Social Services | $350 | |
| **Subtotal** | **$13,890** | **$20,650** |
| **Funding Which Does Not Require Appropriation Authority** | | |
| Army Corps of Engineers | $2,900 | |
| Community Development Block Grant (CDBG) ** | $8,700 | |
| National Flood Program *** | $4,500 | |
| **Subtotal** | **$16,100** | |
| **Grand Total** | **$30,000** | |

* The $12.6 billion appropriation reflects the full amount of FEMA Public Assistance Aid anticipated for Superstorm Sandy. This includes 15 percent for Hazardous Mitigation (Section 406) of the Stafford Act.

** The CDBG funding assumes an even split between New York and New Jeresy. New York City could potentially receive a direct allocation of half of New York's total.

*** The National Flood Program assumes that one half of the funds authorized in the Sandy Recovery package would benefit the State.

*Source: Division of Budget (DoB) January 2013*

- **$8 billion** – For all other Federal disaster relief anticipated funding.

The Executive Budget proposes $450 million for Capital expenses to repair State facilities and roads and to support the State share of the Federal Highway Administration (FHWA) projects.

In addition, the Executive Budget includes $350 million, an increase of $200 million from SFY 2012-13 levels, for disaster assistance. These funds will be used to provide the State's share of Public Assistance, Individual Assistance, Hazard Mitigation and FHWA operating expenses; and local share costs, from natural or man-made disasters. Federal reimbursement of 90 percent is expected for all FEMA eligible projects. The Executive has not determined whether or not the local share can be funded through a portion of the Federal disaster assistance aid.

***Recovery and Preparedness Implementation***

The Executive maintains that other than the appropriation bills, recovery efforts will not require legislation. The following is a list of Sandy related Article VII legislation included in the SFY 2013-14 Executive Budget.

Design Build: The SFY 2013-14 Executive proposal includes language to authorize the utilization of Design-Build financing. This is an alternative project delivery method wherein one company is responsible for financing, designing, and construction of a project. Design Build is expected to speed up completion of projects and reduce costs by 20 percent.

Moreland Commission: The Executive Budget proposes legislation to implement several recommendations of the Moreland Commission, which was established in response to Superstorm Sandy. Among the recommendations are increased oversight and enforcement powers for the Public Service Commission (PSC) to allow the PSC to administratively impose higher civil penalties; review utility plans following natural disasters or other emergencies, and revoke licenses of utilities in the State.

Intermutual Aid Program (IMAP) for Disaster Response for Schools: The SFY 2012-13 Enacted Budget included legislation to allow local governments to better prepare for and respond to disasters. The Legislature included provisions to direct the Division of Homeland Security and Emergency Services (DHSES) to evaluate and make recommendations related to including school districts and Boards of Cooperative Educational Services (BOCES) as participants within the IMAP program.

***Additional Executive Initiatives***

The following is a list of initiatives that are included in the recovery program and that the Executive believes do not need Article VII legislation. The Executive assumes that these programs can be administered without legislative approval, although the funding is included in the SFY 2013-14 Executive Budget.

- Community Reconstruction and Mitigation Plans
- The Recreate NY Smart Home and Recreate NY Home Buy-Out Programs
- Rebuilding and Hardening of Critical Infrastructure
- Repair and Build Natural Infrastructure to Protect Coastal Communities
- Repair and Rebuilding Health Care Systems
- Financial Assistance to Businesses and Local Governments
- Universal Protocols for Emergency Response
- A New "Resilient Information System"
- Specialized Training for National Guard Members
- Pre-Positioned Stockpiles of Essential Equipment
- A Statewide Volunteer Network
- A Citizen Education Campaign
- Establishment of Vulnerable Population Databases
- Energy Sector Worker Training

# FEDERAL AFFORDABLE HEALTH CARE ACT / HEALTH INSURANCE EXCHANGE

***Background***
The federal Patient Protection and Affordable Care Act (ACA) of 2010 included healthcare and insurance reform provisions intended to fundamentally change how healthcare is paid for and delivered in every state. Many of the enacted provisions were slated to take effect in the future years, including provisions requiring every state to establish health insurance exchanges and Medicaid expansion. The lynchpin of the ACA is the individual mandate for individuals to enroll in either a public or private health care plan or be subject to financial penalties. Full implementation of the ACA will not be completed until 2020.

***Health Insurance Exchange***
The ACA requires each State to establish and operate a health insurance exchange by January 1, 2014. The federal government will establish and operate exchanges in states that choose not to establish their own exchange. In April of 2012, the Executive issued an Executive Order to establish a New York Health Benefit Exchange, which would become operational by January 1, 2014. New York received conditional approval from the federal Health and Human Services Department to establish a State-based exchange on December 14, 2012.

The Mandate to Insure:
Under the ACA, state-run health insurance exchanges act as regulated "marketplaces" offering a menu of health insurance plans to uninsured individuals whose income is above 133 percent of the Federal Poverty Level (FPL). As an added incentive, individuals with income levels between 133 and 400 percent of the FPL will receive a graduated subsidy to purchase mandated insurance via the exchange. The failure of uninsured individuals to purchase insurance will result in fines from the federal government in the form of a tax (the individual mandate). Small businesses (50 or less employees until 2016, 100 employees or less thereafter) will also be allowed to purchase insurance for employees through the exchange.

New York May Be Forced to Pay for Insurance Mandate:
The ACA allows states to include any of their current insurance mandates within the Essential Health Benefits (EHB) offered through the Exchange. However, federal statute also stipulates that **states will be required to subsidize or eliminate mandates that are not included in a federally defined EBH**. The federal government issued a bulletin in 2011 clarifying that states may select an essential health benefit package that includes State insurance mandates, but adds that they could be **at risk of paying a significant amount of subsidies** depending on the extent mandates are outside of a federally approved EHB package when that is determined in 2016. New York has chosen the Oxford EPO health care plan (the largest small group plan in the State) as its benchmark for the exchange. Insurers would be required to offer, at a minimum, the same benefits that the Oxford EPO currently provides. **New York is at risk of paying for extra mandates since State law currently requires a high level of mandated benefits** in private health insurance plans, an example of which is the mandated coverage for autism.

Supreme Court Upholds the Mandate:

Although New York moved forward with planning, many states were awaiting the Supreme Court of the United States (SCOTUS) decision prior to establishing an exchange. In June of 2012, in a 5-4 decision, the Supreme Court upheld the Affordable Care Act's individual mandate as a constitutional application of Congress's taxing authority.

Federal Planning Funds to New York:

As states began to move forward with exchange planning, the federal government began distributing planning and establishment grants to fully fund the planning associated with implementing the health insurance exchanges. New York has already received $369.0 million in planning grants, including $154.7 million in level one establishment funds and, most recently, $185.8 million in level two establishment grants. New York's level two funds will be used to develop and operate the call center and back-end eligibility operations, make enhancements to the System for Electronic Rate and Form Filing (SERFF), and support costs for existing and new staff in 2013 and 2014. The funds will also be used to purchase and maintain an accounting system for the Exchange. New York State has received more funding than all other states except California, which received $910.6 million to date.

Other States:

Even with the affirmative SCOTUS ruling, nationally, most state policy makers are taking a cautious approach to setting up a state run health insurance exchange. As of January 4, 2013, only 19 states, including the District of Columbia, had established health insurance exchanges.

How Much Will the Exchange Cost New York?

No additional guidance on the EHB package has been provided by the federal government, and it is still unknown which of the New York State mandated insurance services, if any, would be included in the package. Therefore the potential operating costs to the State beyond January 1, 2015, when federal aid ceases, are difficult to predict. However, Department of Health Commissioner Nirav R. Shah, MD, MPH, has estimated that the operation of the New York State health benefit exchange, not including the estimate of the benefits gap, will cost approximately $100 million per year.

### ***Medicaid Expansion***

The ACA required States to expand Medicaid eligibility to include all families and individuals with income up to 133 percent of the FPL, and included federal funds to pay for the newly eligible population. The provision also authorized the Secretary of Health and Human Services to withhold all federal Medicaid funds to states that did not provide expanded eligibility. This provision was also challenged and ruled upon by SCOTUS, which rejected the ability of the federal government to withhold funding if states choose not to expand eligibility. Currently, New York provides Medicaid services to all enrollees with income up to 133 percent of the FPL, with the exception of the Adult Group Only, which is at 100 percent of the FPL. The Executive is proposing the State expand eligibility to cover the Adult population as authorized under the ACA.

### ***SFY 2013-14 Budget Actions related to ACA***

The Executive proposed several legislative changes to prepare for the establishment of the New York Health Exchange and other ACA provisions that become effective in the upcoming fiscal year.

The State Fiscal Year (SFY) 2013-14 Executive Budget includes legislation that would expand Medicaid eligibility for the Adult Only Group to 133 percent of the FPL. The expansion affects approximately 77,000 individuals and all Medicaid services for adults will be paid for with federal funds, including the State share.

Additionally, starting in 2014 the federal government will reimburse 75 percent of the Medicaid costs for single adults and childless couples whose income is less than 100 percent of the FPL. This percentage will grow and level off at a 90 percent contribution rate in 2020. In addition, the federal government will subsidize newly eligible enrollees, added due to the expansion, at 100 percent. This action is estimated to save the State approximately $43 million in SFY 2013-14.

New Income Test:
It is important to note that eligibility for public health funded programs will be based on a new system of Modified Adjusted Gross Income (MAGI). MAGI-based eligibility follows Internal Revenue Service rules, where some income is not included. An example is child support, which would be included as income under Medicaid, but not under MAGI. MAGI income determinations eliminate individual income disregards for all applicants, and replaces them with a standard five percent disregard applied to the highest FPL for the category. States are required to convert Medicaid from a net income test to MAGI. The Executive proposes to collapse Medicaid eligibility in New York to four main MAGI categories: Adults under 65, pregnant women, children, and parent/caretakers relatives. Non-MAGI populations in Medicaid would include individuals on TANF, SSI, foster care, individuals over 65, individuals with certain types of cancer, the Medically needy, the blind or disabled, etc.

Phase out Family Health Plus / Healthy-NY:
The Executive also proposes phasing out the Family Health Plus (FHP) program and eliminating it entirely by January 1, 2015. All FHP enrollees would be included in the new Medicaid eligibility categories, or qualify for subsidies in the exchange. These adults may also be eligible to enroll in a Qualified Health Plan with a tax credit. The Executive proposes to wrap the co-premium and cost sharing for those who were previously enrolled in FHP, resulting in State savings of $38.5 million in SFY 2014-15. In addition, the individual component of Healthy-New York program would be discontinued and individuals would be eligible for insurance under the health insurance exchange. The small group component of Healthy New York would lose the State subsidy, have the benefit package aligned to the benchmark plan, and then be moved to the Exchange in order to qualify for subsidies.

Facilitating Enrollment:
The Executive has also advanced enrollment proposals to align New York with ACA requirements. For Medicaid, online and phone applications would be allowed, and individuals would be able to self-attest information related to eligibility, such as residency. Database verification would be allowed to determine eligibility without further documentation. If information obtained is "reasonably compatible" State agencies are prohibited from requiring additional documentation.

Other ACA Provisions:
The ACA requires the State to enroll new eligibility groups into a benchmark plan. The Executive proposes that beginning in January 2014, **the benchmark plan** be the State's Medicaid benefit package. There would be no cost to the State in SFY 2013-14, however this proposal is projected to cost the State $115 million in SFY 2014-15.

The ACA also contains a provision in relation to the **Balance Incentive Program**, which allows the State to receive enhanced Federal Matching Assistance Percentage (FMAP) for providing enhanced long term care services. Implementing this program would cost the State $10 million for SFY 2013-14.

The ACA requires that the Medicaid Disproportionate Share Hospital (DSH) payments be reduced in October of 2013. The minimum reduction New York will receive is $71 million. The Executive Budget also contains legislation that would conform the **indigent care pool** distribution funding to required ACA DSH standards to avoid further reductions to the State's allocation.

The Executive Budget contains several Health Insurance Exchange related proposals. **Navigators** would be established to assist individuals in enrolling in coverage through the exchange and would be exempted from the definitions or brokers, agents or producers. In order to accommodate an ACA restriction on monetary limits, the **limit on autism benefits** would be changed from $45,000 annually to 680 hours of treatment annually. Current Individual Standardized Direct Pay HMO and Point of Services products would be required to sunset all current products and offer ACA compliant products as of October 2013 under the Executive Budget. The Executive proposes that conversions plans, offered to employees who are losing their health care for specific reasons, be brought into compliance with the ACA. Enrollment periods would also be standardized and the **small group size would rise from a maximum of fifty to one hundred employees in 2016 in order to comply with ACA requirements**.

***ACA Provisions Currently in Effect***

The ACA provides funding to assist uninsured individuals with **pre-existing conditions** through development of temporary high-risk pools. This allows individuals to forego the normal waiting period of one year if they join an individual plan with a current pre-existing condition. These programs are in existence until a health insurance exchange is operational in the State.

The ACA also supported the creation and expansion of **health homes**. For a limited period of time, the ACA provided an enhanced FMAP of 90 percent for certain health home related initiatives. The Executive has taken advantage of this proposal in prior budgets, and in the 2013-14 Executive Budget utilizes this approach for **Assisted Outpatient Treatment** for those individuals impacted under Kendra's Law and its expansions.

The ACA created a temporary reinsurance program that provided individuals who retired with early assistance until they qualify for Medicare. This also is in effect until the health insurance exchange is operational.

The ACA provides **tax credits to small businesses** to help offset the cost of employee coverage. This initial amount of 35 percent of contributions was creditable and beginning in 2014 this amount will be 50 percent. The ACA also imposed a **ten percent tax on indoor tanning services to help fund implementation**.

In 2010, a one-time check of $250 was sent to Medicare Part D enrollees who reached the coverage gap, otherwise known as the donut hole, to help offset out-of pocket costs for prescription medication.

There are also various sections of the ACA that apply to individuals with private health insurance policies. If policies existed before enactment of the ACA, plans may have been grandfathered in without changes. These provisions include:

- Authorizing **adult children to remain on their parents' insurance policies until their 26th birthday**, at the parents' choice. Financial dependency, student status, marital status, employment and residency can no longer be used to determine a child's eligibility for coverage on his or her parent's health insurance policy.
- **Removing lifetime caps** on the total amount of insurance coverage that an individual or family could receive.
- Prohibiting insurance companies to use unintentional mistakes on paperwork when making a decision on enrollment.
- **Prohibiting** health care insurance companies from **denying or delaying coverage to**

**children with preexisting conditions. In 2014, this will apply to all age groups.**

- **Prohibiting** health care insurance companies from applying **annual limits** on the claims spent on health care beginning in 2014.
- **Requiring** health care insurance plans to **cover preventative services without applying co-payments,** co-insurance or deductibles.
- **Requiring** health care insurance companies to have an **appeals process**.
- **Requiring** health care insurance companies to provide enrollees with a **choice of a participating primary care provider**.
- Requiring health care plans to provide direct access to OB/GYNs.
- Prohibiting new group health plans from establishing eligibility rules that discriminate in favor of higher wage employees.
- Providing seniors who reach the coverage gap in Medicare Part D with a discount when buying covered brand-name prescription drugs. In addition, the **coverage gap will decrease until it is eventually closed in 2020**.

# AMERICAN TAXPAYER RELIEF ACT (Federal)

On January 1, in order to avoid the "fiscal cliff", the Federal government passed the American Taxpayer Relief Act (ATRA). This Act made some provisions of the Bush era tax cuts permanent while extending others from one to five years. However, the ATRA did not extend the payroll tax cut that was enacted in 2011. In addition, ATRA delayed until March 1, 2013 the sequestration of federal spending that was scheduled to occur on January 2, 2013.

Payroll Tax

ATRA discontinues the reduction in the employee portion of the payroll tax enacted in 2011. The payroll tax, also known as social security taxes, is paid by both the employee and the employer and is imposed upon wages earned up to $106,000. In 2011, the employee portion was reduced from 6.2 to 4.2 percent and extended for 2012. **As a result of the expiration of the employee payroll tax reduction from 6.2 to 4.2 percent, over 6 million New York taxpayers will be subjected to increased taxes**.

| DISTRIBUTION OF TAXPAYERS SUBJECT TO PAYROLL TAX INCREASE | |
|---|---|
| **Region** | **Number of Taxpayers** |
| New York City | 2,550,857 |
| Long Island | 884,026 |
| Mid-Hudson | 649,887 |
| Capital Region | 360,510 |
| North Central | 483,912 |
| South Central | 1,141,086 |
| **New York State** | **6,070,278** |

***Personal Income Tax***

For single and married taxpayers with taxable **incomes less than $400,000 and $450,000**, respectively; **the marginal tax rates** of 10, 15, 25, 28, 33, and 35 percent **were made permanent**. In addition, the maximum tax rate of 15 percent on capital gains and dividends was made permanent. For income earners above these income thresholds, **the marginal tax rate increased from 35 to 39.6 percent** and the maximum **capital gains tax rate increased from 15 to 20 percent**.

The ATRA also phases out the personal exemption and reduces itemized deductions. The **personal exemption begins to be reduced at adjusted gross incomes of $250,000 and $300,000 on single and married taxpayers**, respectively. For these income earners, the personal exemption is fully eliminated at incomes of $375,000 and $425,000, respectively. Since this phaseout applies to total personal exemptions, including dependents, married taxpayers with children realize a larger tax increase.

The limitation on itemized deductions is imposed upon the same income thresholds as the phaseout of the personal exemption. However, unlike the personal exemption that is fully eliminated at incomes above $425,000, the taxpayer is still allowed to claim itemized deductions, but only 20 percent. This deduction limitation does not apply to the deductions for medical expenses, investment interest, and casualty and theft losses.

As a result of the rate changes and the limitations on the personal exemption and itemized deductions, **approximately 188,000 New York taxpayers will be subject to a tax increase.** The following table shows the distribution of these taxpayers by region.

| DISTRIBUTION OF TAXPAYERS SUBJECT TO RATE INCREASE | |
|---|---|
| **Region** | **Number of Taxpayers** |
| New York City | 87,863 |
| Long Island | 40,746 |
| Mid-Hudson | 36,554 |
| Capital Region | 5,132 |
| North Central | 3,983 |
| South Central | 13,486 |
| **New York State** | **187,764** |

The ATRA **eliminates the marriage penalty on the standard deduction** and the 15 percent income tax bracket. The standard deduction for married taxpayers is now twice the amount of the standard deduction for single taxpayers. The income thresholds for married taxpayers at which the 15 percent tax rate applies is twice those of the single taxpayer.

The ATRA **permanently "fixes" the Alternative Minimum Tax (AMT)** by increasing the exemption amounts for single and married taxpayers to $50,600 and $78,750, respectively. Previously, the exemption thresholds were not indexed to inflation which subjected more taxpayers to the AMT due to normal wage growth. Without this fix, these exemption thresholds would have been $33,750 and $45,000 for single and married taxpayers, respectively. **Beginning in tax year 2013, these exemption amounts are indexed to inflation**.

Child Tax Credit

The ATRA also extends other tax credits and deductions. **The increase in the child tax credit from $600 to $1,000 per child is extended for five years.** Because the New York Empire State Child Tax Credit is equal to a percentage of this credit, New York taxpayers will continue to realize additional tax savings from this increase.

Earned Income Credit

The enhancements to the Earned Income Tax Credit (EITC) are extended for five years. These enhancements include the simplified definition of earned income as wages, salaries, or other employee compensation. In addition, the extended enhancements include the increase in the earned income credit percentage from 40 to 45 percent for those taxpayers with three or more children and the elimination of the marriage penalty in relation to the phase out of the credit as income increases.

Sales Tax Deduction

The itemized deduction for state and local sales taxes paid is extended for one year. This allows seniors and low income taxpayers who have a lower state and local income tax liability to deduct the sales tax they incur over the course of the year.

Transportation Fringe Benefits

Transit passes and parking expenses that qualify as a pre-taxable benefit for federal income tax purposes are equalized under ATRA. As of January 2012, the threshold for the monthly cost of transit passes and parking expenses was set at $125 and $240, respectively. ATRA equalizes both of these thresholds to $245 per month until December 31, 2013.

### ***Other Taxes***

Several business tax reductions are extended for one year, including: 50 percent bonus depreciation; an increase in the thresholds that small businesses can treat their capital expenditures as an expense rather than subjecting them to depreciation rules, and the Work Opportunity Tax Credit which provides employers with tax credits for hiring veterans or other targeted groups.

Federal Estate Tax

President George W. Bush reduced the Federal estate tax from 55 to 45 percent and increased the exemption threshold from $1 million to $3.5 million. Both were phased in over seven years. The federal estate tax was set to expire at the end of 2009. However, subsequent legislation continued the federal estate tax, but lowered the top rate to from 45 to 35 percent, and increased the exemption threshold to $5 million through December 31, 2012. Upon expiration, the estate tax would revert back to a top rate of 55 percent and an exemption threshold of $1 million (2001 levels).

**The ATRA makes the exemption threshold of $5 million permanent and indexes it to inflation beginning in 2013**. It also increases the top rate from 35 to 40 percent. The deduction for state estate taxes paid is also made permanent. Prior to 2001, taxpayers were allowed a full credit against their federal estate taxes for state estate taxes paid.

**The changes to the federal estate tax would have no impact on the New York estate tax**. Currently, the exemption threshold in New York is capped at $1 million.

# NYS PROPERTY TAX CAP

According to the New York State Comptroller between 2000 and 2010, New York State property taxes increased at an average rate of nearly six percent per year – more than twice the rate of inflation over the same period[1]. In response to the increasing tax burden on the State's homeowners, the State of New York enacted historic property tax relief legislation in June of 2011 (S.5856). This statute was modeled after a Senate Republican Majority bill that was passed in January of 2011. The State's property tax cap was adopted in conjunction with a State commitment to enact meaningful mandate relief for local governments to reduce costs as well as a statutory commitment to annually increase state aid to schools in an amount equal to the annual growth of personal income in the State of New York.

***New York State's Commitment***

As describe in the first paragraph the Legislature and the Executive considered the property tax cap as one part of a three pronged approach to providing property tax relief to homeowners across the State. Along with a cap on property tax growth which in year one has saved homeowners $453 million the State has committed to long term sustainable growth in aid to schools and a sustained effort to pursue substantial mandate relief. Part of the property tax relief effort is the enactment of two-year school funding appropriations with growth tied to the State's personal income growth. In the first year of the tax cap aid to school districts increased by $805 million or 4 percent and under the 2013-14 Executive proposal aid to schools is expected to grow by no less than $889 million which represent a 4 percent increase over the 2012-13 school year. In addition to State aid the Legislature and Executive are committed to providing localities and school districts mandate relief to help reduce pressure on local government budgets. In SFY 2011-12 $127 million in mandate relief was passed on to schools and local governments. In SFY 2013-14 the State enacted a Tier VI pension tier which is expected to provide $60 billion in relief over 30 years. Lastly, the Medicaid local share growth takeover was enacted to save local governments an estimated $1.2 billion over the next four years.

The State of New York's property tax cap focuses on the actual property taxes levied to support school district and local government expenses. The law became effective in local fiscal years starting on or after Jan. 1, 2012. The law limits the annual growth of property taxes levied by local governments and school districts to two percent or the rate of inflation, whichever is less. **In the first year of the cap it is estimated that property tax payers saved approximately $453 million[2].**

The cap applies to all counties, cities, towns and villages outside New York City, and to all fiscally independent school districts. It also applies to the property tax levies of special districts established to finance fire departments, libraries, sewer and water systems and other purposes.

Under the current property tax cap statute there are several important facts that help to clarify the local governments first year experience:

[1] Annual Report on Local Governments 2011, NYS Comptroller.

[2] Estimate based on a 10 year average levy increase statewide (4.59 percent). Increase compared to actual school district increases from the NYS Property Tax Report Card (State Education Department).

*The Cap Can Exceed Two Percent With Override:* School budgets can exceed the cap if approved by at least 60 percent of school district voters. Tax caps for counties, cities, towns, villages and special districts can be overridden by a vote of at least 60 percent of the local governing bodies[3].

*The Annual Cap is Unlikely to be Exactly Two Percent:* It could be lower if the rate of inflation has been below two percent, which was the case in several recent years. However, the law also includes several exceptions and allowances that can make the cap higher. These factors will vary from year to year and will differ in each taxing jurisdiction[4].

*A simple majority of voters will has the power to block any tax increase in independent school district:* Districts that fail to win voter approval for their proposed budgets after two tries must freeze their property tax levies.

Local Government Property Tax Experience

The tax levy limit affects over 10,000 entities either directly or indirectly. And, the vast majority of these entities (80 percent) begin their fiscal years on January 1st[5].

In 2012, for all local governments the tax levy cap was set at two percent as the inflation rate ranged from 2.01 to 3.16 percent. In 2013, the levy cap for local governments was also two percent. The levy cap for school districts' fiscal year was set at two percent for the 2012-13 school year and a projected two percent for the 2013-14 school year.

The following section outlines what the experience has been for localities that have already passed budgets in 2012 and 2013 as well as school districts that proposed budget expenditure plans in May of 2012.

The Office of State Comptroller (OSC) has several responsibilities pertaining to the cap including authority to audit localities compliance with the cap. OSC began collecting information on counties, towns, villages and fire districts compliance with the cap beginning with fiscal years starting in January of 2012. OSC reviewed the budgets of 1,106 municipal entities. Of the 1,106 municipal entities audited the following information was obtained:

- Seventy-three percent adopted budgets within the property tax cap;
- Eighteen percent enacted local laws or resolutions to override the cap; and
- Nine percent exceeded the cap inappropriately.

Although the levy increase allowed under the limit is theoretically the lesser of two percent or the rate of inflation, in fact, the formula includes a number of factors that can affect the limit – sometimes by a large amount. Based on allowable levy limits submitted to OSC, almost every class of local government reported average increases of closer to three percent or more[6]. However this may be overstated in that in some cases local governments passed local laws authorizing them to exceed the cap and then passed budgets that were within the cap. OSC did not determine if any of those local governments that enacted local laws to override the cap actually passed budgets within the cap. In many instances the override vote was taken so that if the locality exceeded the cap as a result of an error they would not be penalized by OSC.[7]

[3] New York State's Property Tax Cap A Citizens Guide. Empire Center for New York State Policy 2011.
[4] Ibid.
[5] Annual Report on Local Governments 2011, NYS Comptroller.
[6] Annual Report on Local Governments 2012, NYS Comptroller.
[7] These localities were concerned with a provision in the cap legislation requiring a municipality that exceeded the tax levy cap due to a clerical or technical error to place the excess tax levy into an interest earning reserve account to be applied to offset the next year's tax levy.

Exceptions To The Cap

An OSC preliminary analysis of school districts indicates that the **average allowable levy growth is three percent**, rather than the two percent many voters were expecting. The calculation of the levy limit, including allowable adjustments and additional levy for certain excludable expenses, drives a wide range of school district allowable levy growth8. OSC analysis showed the impact of varying components on the property tax levy limit calculation as follows:

***Pension Exclusion:*** The additional levy permitted for pension costs is very narrowly defined. According to the Comptroller's analysis, on average this component accounted for only .13 percent of the allowable growth statewide.

***Capital Expenditure Exclusion:*** Unlike other types of local governments, school districts are permitted to exclude from their levy cap the tax levy necessary to support the local (property-tax funded) share of capital expenditures that have been approved by the voters. The impact of this element varied from decreasing the levy limit by 5.5 percent to increasing it by 13.1 percent, with an average effect statewide of .45 percent[9].

***Payments in Lieu of Taxation (PILOTs):*** The property tax cap formula also considers payments made by businesses that have been granted tax-exempt status as property tax levy. The levy limit is a restriction on the growth in property tax levy *and* PILOT payments. When there are large variations in the amount of PILOTs receivable from year-to-year, this can have a significant impact on the allowable levy under the limit[10]. Although the net effect of all PILOT changes was small (-0.06 percent), the effect of PILOTs ranged from decreasing the allowable levy growth by 45.4 percent to increasing it by 24.2 percent. However, if PILOTs are considered property tax levy, then the year-to-year comparisons of levy growth show less variation, with changes ranging from -2.9 percent to 15.6 percent growth[11].

***Tax Base Growth Factor:*** The formula for determining the tax levy limit also includes an adjustment for growth in the tax base of the school district which adjusts for new "brick and mortar" property development in a district. According to the Comptroller, the impact of the tax base growth factor ranged from no impact in 74 districts to a 5.22 percent increase in one district, with the average effect on the allowable levy being an increase of 0.46 percent.

***Tort Settlements or Awards Whose Costs Exceed 5 Percent of the Tax Levy in the Base Year:*** A tort is a type of lawsuit seeking damages for personal injuries caused by negligence;

***A Carryover of up to 1.5 Percent of Unused Tax Levy Growth From the Prior Years:*** Under this provision any unused levy can be carried over to following years up to 1.5 percent per year. Local governments will be first eligible to use carryover for the 2013 budgets.

A proposed tax levy that does not exceed the cap will continue to require approval by more than 50 percent of the members of the governing body of a county, city, town, village or special district, or by a simple majority of voters participating in a school district or special district budget referendum.

[8] Ibid.
[9] Local Government Snapshot – School District Tax Levy limits NYS Comptroller 2012.
[10] Ibid.

[11] Ibid.

# A TALE OF TWO CAPS
# A COMPARISON OF SPENDING CAPS FOR SCHOOL AID AND MEDICAID

The 2011-12 state budget instituted new limitations (caps) in annual changes to School Aid and Medicaid – the two largest components of state spending. The 2011-12 enacted changes were first applied during State Fiscal Year (SFY) 2012-13. The two statutory caps differ as to how they are derived. **The Medicaid Global cap is based on the 10-year average change in the medical** component of the Consumer Price Index (CPI); the **School Aid** cap in the first year was based on a five year average change in the personal income of state taxpayers and in subsequent years **based on the annual change in the personal income of state taxpayers**.

First Year the Two Caps Were Equal

In SFY 2012-13, the first year in which the caps were applied, **both the** Medicaid Global cap and the school aid cap **were four percent**. This translated into a $650 million allowable increase in Medicaid and allowed for an $805 million increase in State aid to schools. Again, the state cap on education spending growth in the first year was based on a five year average of personal income growth in the State of New York.

Executive Budget Fixes the Disparity

The Executive SFY 2013-14 proposed budget continues each spending program cap. The Medicaid Global cap based on the 10 year average of the medical component of the CPI is set at 3.9 percent growth or $659 million. The school aid cap based on the annual personal income growth of state taxpayers dropped 100 basis points from the prior year to 3 percent for the 2013-14 school year. This translates to $610 million in allowable growth in state aid to schools. If the cap was flat, at 4 percent, schools would have received an additional $198 million (above the $610 million).

The 2013-14 Executive budget proposal includes an additional appropriation separate from school aid for $203.47 million more than the allowable growth of the cap as determined by the annual change in the personal income growth in the State of New York. The additional amount proposed by the Executive exceeds the statutory cap amount of $610 million by 33 percent. According to Executive budget documents the additional funds above the cap are justified to provide fiscal stability to school districts facing rising fixed costs for such budgetary items as pensions and health costs.

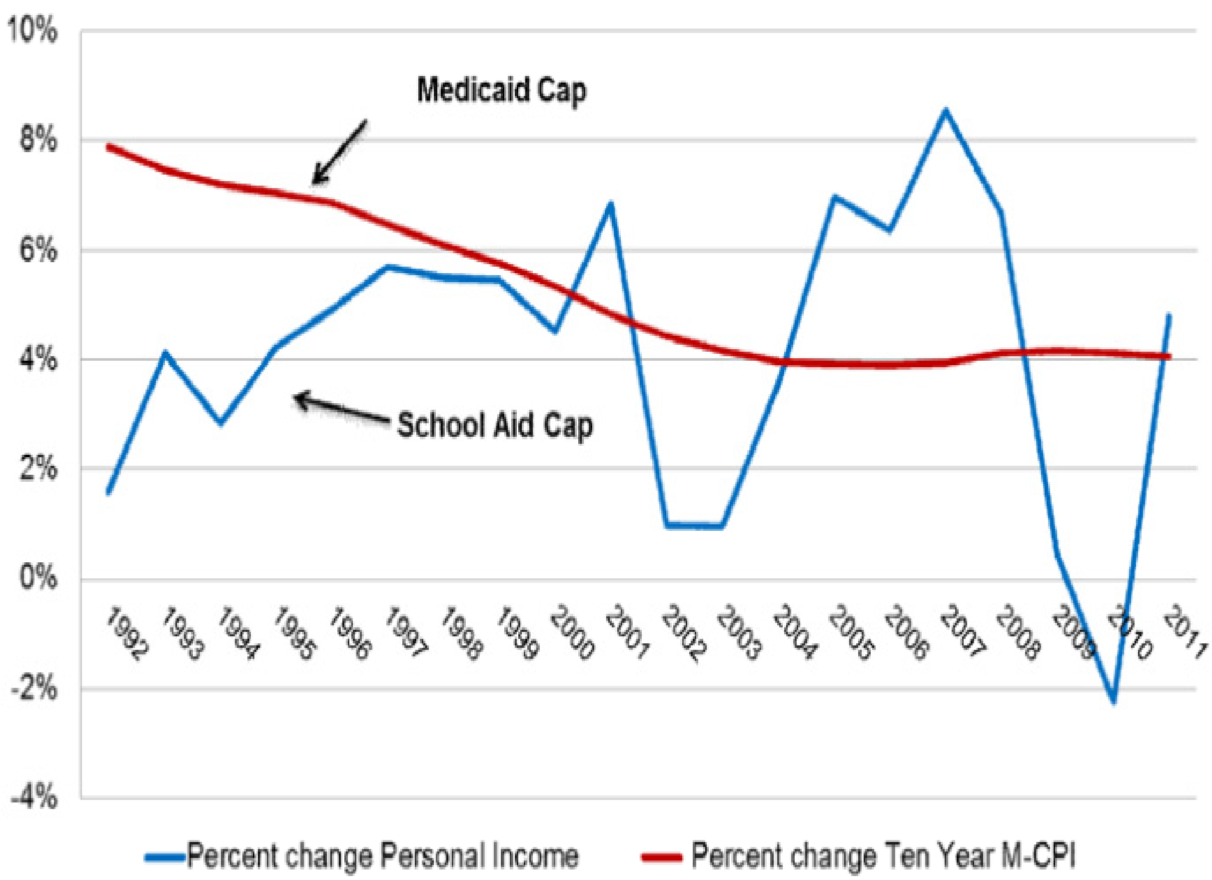
Part of the need to provide additional aid beyond the statutory allowable levels in school aid is based on the indexing of school aid increases to personal income growth in the State of New York. As noted above the method for calculating the two caps of the largest components of the State budget is different. The School Aid cap is more volatile, with year-to-year swings as much as five percent. In fact, forecasting the change in personal income for a single year is itself, open to wide variation as data becomes available. For example, the changes in the personal income forecast for 2013-14 have been revised downward several times, with concomitant reductions in the possible School Aid cap falling from $750 million to $610 million.

## MULTIPLE CAP HISTORY COMPARISON

As the chart below show using the personal income growth as an index to State aid increases may be problematic considering the considerable fluctuating annual values. Personal Income growth history in the State of New York varies to such an extent it will be difficult to annually provide predictable State aid increases for school districts. Basing the aid cap on the year-to-year change in personal income growth results in large fluctuations, especially in light of the financial services sector impact on New York State incomes[1]. By contrast, the Medicaid Global cap uses a ten year average of the Medical Component of the CPI and provides for more consistency and predictability. If the provisions of the new Personal Income Growth Cap were applied retrospectively, a variable income trend line would emerge, especially when compared to the ten year average of the Medicaid Cap, as shown in the below chart.

**MULTIPLE CAP HISTORY COMPARISON**

Source: NYS Education Department 2012

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[1] NYS Education Department – Regents 2013-14 State Aid Proposal.

# MANDATE RELIEF

Recent economic conditions have focused attention on the fiscal distress of local governments across the U.S. and within New York State. Unfortunately property tax increases have been the traditional solution when a locality faces a fiscal crisis instead of spending reductions and restructuring.

A recent study in California revealed that a property tax hike of $6 billion would lead to over $70 billion in reduced economic output and 396,345 fewer jobs in the state, highlighting the damage property taxes can do to small businesses. Although there is a property tax cap in place in New York, localities have the ability to override the cap.

The Office of State Comptroller's data on local governments indicates that in the aggregate most municipalities faced increasing fiscal pressure during 2011 (latest year data available). Examining municipalities with a focus on 2011, spending deficits that equal or exceed two percent of revenue are illustrated in the following table.

- <u>SFY 2011-12 Mandate Relief Omnibus Legislation</u> Estimated local savings of $127 million annually
- <u>SFY 2012-13 Pension Reform: New Tier 6</u> Estimated local savings of roughly $60 billion over 30 years
- <u>SFY 2013-14 State Takeover of Medicaid Growth Cap</u> Estimated local savings of $1.17 billion over 5 years

### ***<u>Challenges to Local Government Budgets</u>***

Current threats to local governments which create fiscal distress include:

- a declining revenue base without a corresponding decrease in spending;
- personnel costs associated with salaries and benefits growing at a rate not sustainable under current economic conditions and revenue limitations;
- lack of four year planning and inconsistent budget practices;
- unique local economic conditions or events that creates further erosion of local government revenues.

| Local Fiscal Trends for 2011 | | | | |
|---|---|---|---|---|
| Locals That Reported | **Counties (55)** | **Cities (57)** | **Towns (891)** | **Villages (530)** |
| **Number with Deficits 2% or >** | 23 | 20 | 326 | 208 |
| **Percent with Deficits 2% or > *** | 42% | 35% | 37% | 47% |
| **$ Value of Deficits 2% or >** | ($498,240,166) | ($121,418,631) | ($470,291,213) | ($140,469,993) |
| * Percent is calculated excluding NYC and nonreporting municipalities as follows: | | | | |
| NonReporting = Counties 2; Cities 4; Towns 41; Villages 21) | | | | |

On a positive note, New York State's local governments are not running separate pension systems apart from the State system as is done by some localities in Rhode Island and California. This has been one of the major factors in those and other state's local fiscal crisis.

***Executive Budget Mandate Relief Proposals***

The SFY 2013-14 Executive Budget proposes new statutory changes to further address mandate relief for local governments including the following:

Flat Rate Stable Rate Pension Contribution Option: Local governments and school districts would be given the option to "lock in" long-term, stable rate pension contributions for a period of years determined by the Comptroller and the Teachers' Retirement System (TRS) in order to achieve full funding in each system. The proposed stable rates would be 12 percent for the New York State Employees' Retirement System (ERS), 12.5 percent for TRS, and 18.5 percent for the Police and Fire Retirement System (PFRS). A table at the end of this section lists possible savings for localities under this proposal.

Local Control for Sales Tax Rate Renewals: Under this proposal, counties would no longer be required to petition the State every two years to renew their current sales tax authority. The Executive Budget proposes making this solely a local responsibility. Renewal of current sales tax rates would only require a majority vote of the county legislature, every two years. Any increase in the local sales tax or change to an existing statutory sharing arrangement would continue to require State Legislative approval. This proposal does not include cities that currently charge sales tax.

Eliminate 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 rather than maintaining the status quo of local governments and school districts being required to regularly report.

Early Intervention Program Modifications: The Early Intervention (EI) program provides a comprehensive array of therapeutic and support services to children under the age of three with confirmed disabilities (e.g., autism, cerebral palsy) or developmental delays. The Executive Budget recommends a series of program modifications to change insurance coverage and eligibility determinations and provide administrative mandate relief to counties. This is projected to generate cumulative local savings totaling more than $60 million over five years.

General Public Health Work Program Modifications: The General Public Health Work

(GPHW) program provides State aid reimbursement to Local Health Departments (LHDs) for a core set of public health services. Changes are proposed to reflect Executive health priorities, incentivize performance, and provide administrative relief to counties. This may have an impact on services. The Budget projects $3.5 million in savings in 2014-15 and mandate relief for local governments projected to save more than $16 million over five years.

Preschool Special Education Audit Recoveries and Rate Setting: 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. This is nearly double the 40.5 percent that they are currently allowed to retain. In addition, New York City will be given the authority to competitively negotiate rates with Preschool Special Education providers. These changes are proposed to help local governments contain the cost of this program.

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 from special education requirements that exceed Federal law**. In addition, the requirement of maintaining an internal auditor for school districts with fewer than 1,000 students will be eliminated.

Workers' Compensation Modifications: The Executive Budget contains a series of proposals to reduce the cost of purchasing workers' compensation insurance. These modifications are projected to provide financial relief for all insured government entities. A description of this proposal can be found in the Workers Compensation/Unemployment Insurance Reform Issues in Focus section of this report.

Unemployment Insurance Modifications: The Executive Budget includes proposals projected to decrease costs to employers, including local governments. A description of this proposal can be found in the Workers Compensation/Unemployment Insurance Reform Issues in Focus section of this report.

Interest Arbitration Award Modifications: The Executive proposal extends mandatory interest arbitration provisions expiring July 1, 2013 and changes the arbitration process by limiting awards imposed upon fiscally distressed local governments. A local government would be "fiscally distressed" if one of the following two fiscal tests are met: (1) the local government's average full value property tax rate is above the 75th percentile of all municipalities statewide, as averaged over most recent 5 fiscal years; or (2) if the local government's five-year average general fund balance equals less than five percent of its budget. For **any fiscally distressed local government** entering interest arbitration, the arbitration panel would be **barred from increasing the cost of the employees'** collectively bargained compensation package by **more than two percent per year**. Existing contractual step and longevity increases would not be affected nor would payments due to the relevant pension systems. Within this computation, the arbitration panel must also take into account the rising costs of health insurance for distressed local government employers and further reduce the amount awarded.

Financial Restructuring Assistance Task Force: The Executive Budget includes a new task force made up of the Comptroller, Attorney General, Division of Budget and private sector restructuring consultants to provide assistance to localities. The Task Force could recommend a range of financial options, including the creation of a financial control board for a locality. Legislation creating this task force is not included in the Budget Proposal.

## ***Enacted Mandate Relief***

Since January 1, 2011, the Senate has passed *over* 60 mandate relief proposals, of which over 40 have become law. In June of 2011, mandate relief legislation was enacted which provides **at least $127 million in savings** to school districts and local governments. This legislation was passed in recognition that the property tax cap would put added pressure on school districts and local governments to find savings within their respective budgets. Local government and school districts are projected to realize $70 million is savings as they are now allowed to piggyback federal, state and other localities contracts.

School districts are projected to save approximately $26 million through authorization to utilize current ridership patterns to adjust busing to reflect actual student ridership. School districts with a student population of 10,000 or more were authorized to audit claims utilizing risk sampling estimated to produce $5 million in savings. Local governments no longer have to require deposits for plans and specifications by contractors which is expected to provide $12 million in annual savings.

The SFY 2012-13 enacted Budget provided local governments with major structural mandate relief measures. These included a takeover by the State of growth in the local share of Medicaid expenses (table at end of section); a new Tier VI in the State pension system; Early Intervention reforms. These reforms are projected to result in more than $2.1 billion in financial relief to local governments and schools over the next five years. Tier VI pension savings for local governments and schools will grow to more than $60 billion over the next 30 years. Tables with county savings estimates for these initiatives are at the end of this section.

| Stable Rate Pension Option Savings<br>SFY 2013-14 Executive Proposal (in Thousands) | | | | | |
|---|---|---|---|---|---|
| City | SFY 2013-14 | 5 Yr Total | County | SFY 2013-14 | 5 Yr Total |
| City Of Albany | $8,300 | $29,900 | Albany County | $10,200 | $35,600 |
| City Of Amsterdam | $1,000 | $3,700 | Allegany County | $2,100 | $7,100 |
| City Of Auburn | $1,800 | $6,500 | Broome County | $8,900 | $30,800 |
| City Of Batavia | $900 | $3,100 | Cattaraugus County | $4,500 | $15,700 |
| City Of Beacon | $800 | $2,800 | Cayuga County | $3,400 | $11,900 |
| City Of Binghamton | $3,400 | $12,200 | Chautauqua County | $5,600 | $19,400 |
| City Of Buffalo | $19,200 | $69,400 | Chemung County | $4,100 | $14,400 |
| City Of Canandaigua | $600 | $2,200 | Chenango County | $2,000 | $6,800 |
| City Of Cohoes | $900 | $3,200 | Clinton County | $4,000 | $13,800 |
| City Of Corning | $500 | $2,000 | Columbia County | $4,000 | $13,900 |
| City Of Cortland | $1,000 | $3,500 | Cortland County | $2,200 | $7,700 |
| City Of Dunkirk | $900 | $3,400 | Delaware County | $2,100 | $7,100 |
| City Of Elmira | $1,700 | $6,300 | Dutchess County | $11,400 | $39,600 |
| City Of Fulton | $1,000 | $3,600 | Erie County | $23,500 | $81,600 |
| City Of Geneva | $900 | $3,100 | Essex County | $2,200 | $7,500 |
| City Of Glen Cove | $1,700 | $6,100 | Franklin County | $2,100 | $7,200 |
| City Of Glens Falls | $1,000 | $3,400 | Fulton County | $2,600 | $8,900 |
| City Of Gloversville | $800 | $2,900 | Genesee County | $3,300 | $11,600 |
| City Of Hornell | $500 | $2,000 | Greene County | $2,100 | $7,300 |
| City Of Hudson | $400 | $1,600 | Hamilton County | $500 | $1,600 |
| City Of Ithaca | $2,600 | $9,300 | Herkimer County | $1,900 | $6,700 |
| City Of Jamestown | $2,300 | $8,100 | Jefferson County | $3,900 | $13,500 |
| City Of Johnstown | $500 | $1,700 | Lewis County | $3,800 | $13,300 |
| City Of Kingston | $1,800 | $6,500 | Livingston County | $3,900 | $13,500 |
| City Of Lackawanna | $1,100 | $4,000 | Madison County | $2,300 | $7,900 |
| City Of Little Falls | $300 | $1,100 | Monroe County | $22,500 | $78,200 |
| City Of Lockport | $1,500 | $5,300 | Montgomery County | $1,500 | $5,200 |
| City Of Long Beach | $3,400 | $12,300 | Nassau County | $88,900 | $317,300 |
| City Of Mechanicville | $200 | $700 | Niagara County | $6,800 | $23,600 |
| City Of Middletown | $1,700 | $5,900 | Oneida County | $7,100 | $24,700 |
| City Of Mount Vernon | $5,500 | $19,700 | Onondaga County | $20,500 | $71,200 |
| City Of New Rochelle | $5,400 | $19,400 | Ontario County | $5,300 | $18,600 |
| City Of Newburgh | $1,900 | $7,000 | Orange County | $14,700 | $51,200 |
| City Of Niagara Falls | $3,900 | $14,300 | Orleans County | $1,900 | $6,500 |
| City Of North Tonawanda | $1,700 | $6,100 | Oswego County | $4,100 | $14,200 |
| City Of Norwich | $400 | $1,600 | Otsego County | $2,300 | $8,000 |
| City Of Ogdensburg | $800 | $2,700 | Putnam County | $3,900 | $13,600 |
| City Of Olean | $900 | $3,300 | Rensselaer County | $8,500 | $29,400 |
| City Of Oneida | $700 | $2,500 | Rockland County | $16,700 | $58,200 |
| City Of Oneonta | $700 | $2,500 | Saratoga County | $6,300 | $21,800 |
| City Of Oswego | $1,500 | $5,500 | Schenectady County | $6,400 | $22,300 |
| City Of Peekskill | $2,000 | $7,100 | Schoharie County | $1,600 | $5,600 |
| City Of Plattsburgh | $1,400 | $4,900 | Schuyler County | $900 | $3,200 |
| City Of Port Jervis | $600 | $2,100 | Seneca County | $1,700 | $6,100 |
| City Of Poughkeepsie | $2,700 | $9,700 | St Lawrence County | $3,700 | $13,000 |
| City Of Rensselaer | $600 | $2,000 | Steuben County | $4,200 | $14,400 |
| City Of Rochester | $21,200 | $76,400 | Suffolk County | $97,500 | $348,000 |
| City Of Rome | $2,000 | $7,300 | Sullivan County | $4,800 | $16,600 |
| City Of Rye | $1,300 | $4,600 | Tioga County | $1,600 | $5,700 |
| City Of Salamanca | $400 | $1,300 | Tompkins County | $4,000 | $13,900 |
| City Of Saratoga Springs | $2,000 | $7,200 | Ulster County | $8,800 | $30,600 |
| City Of Schenectady | $3,700 | $13,300 | Warren County | $3,800 | $13,100 |
| City Of Sherrill | $200 | $500 | Washington County | $2,800 | $9,700 |
| City Of Syracuse | $12,000 | $43,500 | Wayne County | $4,200 | $14,500 |
| City Of Tonawanda | $800 | $3,100 | Westchester County | $40,100 | $140,300 |
| City Of Troy | $3,300 | $11,900 | Wyoming County | $3,300 | $11,300 |
| City Of Utica | $3,500 | $12,600 | Yates County | $1,100 | $3,800 |
| City Of Watertown | $1,900 | $7,000 | | | |
| City Of Watervliet | $700 | $2,400 | | | |
| City Of White Plains | $8,000 | $28,600 | | | |
| City Of Yonkers | $21,400 | $77,600 | | | |

| Tier 6 Pension Savings<br>Local Government Enacted Pension Reform Savings<br>(in Thousands) | | | |
|---|---|---|---|
| | **5 Years** | **10 Years** | **30 Years** |
| Albany County | $15,212 | $67,779 | $1,100,410 |
| Allegany County | $1,898 | $8,276 | $123,367 |
| Broome County | $8,887 | $38,795 | $578,486 |
| Cattaraugus County | $4,341 | $18,870 | $281,049 |
| Cayuga County | $3,209 | $14,005 | $208,803 |
| Chautauqua County | $6,239 | $27,287 | $407,090 |
| Chemung County | $3,910 | $17,023 | $253,644 |
| Chenango County | $2,325 | $10,077 | $149,957 |
| Clinton County | $3,891 | $16,917 | $251,959 |
| Columbia County | $2,659 | $11,644 | $173,789 |
| Cortland County | $1,925 | $8,408 | $125,404 |
| Delaware County | $2,070 | $9,042 | $134,847 |
| Dutchess County | $14,232 | $61,918 | $922,407 |
| Erie County | $41,308 | $180,756 | $2,697,073 |
| Essex County | $1,663 | $7,288 | $108,787 |
| Franklin County | $2,270 | $9,858 | $146,772 |
| Fulton County | $2,527 | $11,019 | $164,241 |
| Genesee County | $3,033 | $13,200 | $196,672 |
| Greene County | $2,097 | $9,120 | $135,856 |
| Hamilton County | $390 | $1,718 | $25,700 |
| Herkimer County | $2,654 | $11,522 | $171,555 |
| Jefferson County | $5,274 | $23,058 | $343,958 |
| Lewis County | $1,459 | $6,468 | $96,863 |
| Livingston County | $2,483 | $10,850 | $161,821 |
| Madison County | $2,771 | $12,095 | $180,348 |
| Monroe County | $33,065 | $143,990 | $2,145,591 |
| Montgomery County | $1,906 | $8,287 | $123,436 |
| Nassau County | $100,488 | $438,215 | $6,532,396 |
| Niagara County | $9,272 | $40,582 | $605,571 |
| Oneida County | $9,758 | $42,423 | $631,849 |
| Onondaga County | $22,685 | $98,888 | $1,473,945 |
| Ontario County | $5,020 | $21,889 | $326,288 |
| Orange County | $20,461 | $88,813 | $1,322,193 |
| Orleans County | $2,143 | $9,252 | $137,532 |
| Oswego County | $5,889 | $25,537 | $380,070 |
| Otsego County | $2,682 | $11,654 | $173,564 |
| Putnam County | $5,765 | $24,980 | $371,695 |
| Rensselaer County | $7,449 | $32,537 | $485,240 |
| Rockland County | $19,097 | $83,299 | $1,241,808 |
| Saratoga County | $8,000 | $34,658 | $515,680 |
| Schenectady County | $6,977 | $30,522 | $455,396 |
| Schoharie County | $2,295 | $10,187 | $152,606 |
| Schuyler County | $730 | $3,224 | $48,227 |
| Seneca County | $1,244 | $5,431 | $80,990 |
| St. Lawrence County | $4,408 | $19,203 | $286,171 |
| Steuben County | $4,279 | $18,608 | $277,155 |
| Suffolk County | $97,702 | $424,522 | $6,321,839 |
| Sullivan County | $4,169 | $18,188 | $271,146 |
| Tioga County | $1,356 | $5,921 | $88,296 |
| Tompkins County | $4,012 | $17,582 | $262,437 |
| Ulster County | $9,064 | $39,373 | $586,290 |
| Warren County | $3,105 | $13,576 | $202,516 |
| Washington County | $3,078 | $13,310 | $197,925 |
| Wayne County | $4,584 | $19,846 | $295,247 |
| Westchester County | $75,475 | $330,486 | $4,929,878 |
| Wyoming County | $1,617 | $7,128 | $106,578 |
| Yates County | $813 | $3,575 | $53,414 |
| New York City | $300,000 | $1,800,000 | $21,000,000 |
| **Grand Total** | **$917,312** | **$4,492,679** | **$61,223,828** |

| Medicaid Cap Savings<br>Enacted Local Medicaid Cap Savings by County<br>(in Thousands) | | | | | |
|---|---|---|---|---|---|
| **County** | **SFY 2013-14** | **SFY 2014-15** | **SFY 2015-16** | **SFY 2016-17** | **Total County Savings** |
| Albany | $522 | $1,596 | $3,155 | $4,713 | **$9,986** |
| Allegany | $82 | $251 | $496 | $741 | **$1,569** |
| Broome | $317 | $971 | $1,919 | $2,866 | **$6,073** |
| Cattaraugus | $139 | $426 | $841 | $1,257 | **$2,662** |
| Cayuga | $118 | $361 | $713 | $1,066 | **$2,258** |
| Chautauqua | $259 | $792 | $1,566 | $2,340 | **$4,957** |
| Chemung | $166 | $508 | $1,005 | $1,501 | **$3,180** |
| Chenango | $82 | $250 | $495 | $739 | **$1,566** |
| Clinton | $144 | $440 | $869 | $1,298 | **$2,749** |
| Columbia | $91 | $280 | $553 | $826 | **$1,750** |
| Cortland | $83 | $254 | $501 | $749 | **$1,587** |
| Delaware | $72 | $219 | $433 | $647 | **$1,371** |
| Dutchess | $350 | $1,072 | $2,118 | $3,165 | **$6,706** |
| Erie | $1,728 | $5,286 | $10,447 | $15,608 | **$33,069** |
| Essex | $56 | $170 | $336 | $502 | **$1,063** |
| Franklin | $83 | $253 | $500 | $747 | **$1,582** |
| Fulton | $114 | $348 | $687 | $1,027 | **$2,176** |
| Genesee | $79 | $242 | $478 | $715 | **$1,514** |
| Greene | $81 | $247 | $487 | $728 | **$1,542** |
| Hamilton | $5 | $16 | $32 | $48 | **$102** |
| Herkimer | $112 | $343 | $677 | $1,011 | **$2,143** |
| Jefferson | $165 | $504 | $996 | $1,487 | **$3,152** |
| Lewis | $42 | $127 | $252 | $376 | **$798** |
| Livingston | $76 | $234 | $462 | $690 | **$1,462** |
| Madison | $92 | $281 | $556 | $830 | **$1,759** |
| Monroe | $1,480 | $4,529 | $8,950 | $13,371 | **$28,330** |
| Montgomery | $99 | $302 | $596 | $890 | **$1,886** |
| Nassau | $1,929 | $5,900 | $11,660 | $17,420 | **$36,909** |
| Niagara | $375 | $1,148 | $2,270 | $3,391 | **$7,184** |
| Oneida | $459 | $1,405 | $2,776 | $4,148 | **$8,788** |
| Onondaga | $846 | $2,588 | $5,114 | $7,640 | **$16,187** |
| Ontario | $134 | $410 | $810 | $1,211 | **$2,565** |
| Orange | $591 | $1,807 | $3,571 | $5,335 | **$11,305** |
| Orleans | $68 | $209 | $414 | $618 | **$1,309** |
| Oswego | $205 | $628 | $1,240 | $1,853 | **$3,926** |
| Otsego | $87 | $265 | $523 | $782 | **$1,657** |
| Putnam | $79 | $243 | $480 | $717 | **$1,518** |
| Rensselaer | $279 | $853 | $1,687 | $2,520 | **$5,339** |
| Rockland | $549 | $1,679 | $3,318 | $4,956 | **$10,501** |
| St. Lawrence | $197 | $601 | $1,189 | $1,776 | **$3,763** |
| Saratoga | $203 | $622 | $1,230 | $1,837 | **$3,892** |
| Schenectady | $280 | $857 | $1,694 | $2,530 | **$5,361** |
| Schoharie | $47 | $145 | $286 | $427 | **$905** |
| Schuyler | $31 | $95 | $187 | $280 | **$592** |
| Seneca | $49 | $151 | $298 | $445 | **$943** |
| Steuben | $161 | $492 | $972 | $1,452 | **$3,077** |
| Suffolk | $2,051 | $6,276 | $12,402 | $18,528 | **$39,257** |
| Sullivan | $167 | $512 | $1,012 | $1,512 | **$3,203** |
| Tioga | $67 | $205 | $405 | $605 | **$1,282** |
| Tompkins | $98 | $301 | $595 | $890 | **$1,885** |
| Ulster | $299 | $916 | $1,809 | $2,703 | **$5,727** |
| Warren | $101 | $309 | $610 | $911 | **$1,930** |
| Washington | $93 | $284 | $562 | $840 | **$1,779** |
| Wayne | $116 | $356 | $704 | $1,051 | **$2,228** |
| Westchester | $1,786 | $5,465 | $10,799 | $16,134 | **$34,184** |
| Wyoming | $45 | $137 | $270 | $404 | **$856** |
| Yates | $35 | $108 | $213 | $318 | **$673** |
| **Rest of State** | **$18,065** | **$55,267** | **$109,218** | **$163,170** | **$345,720** |
| **New York City** | **$43,072** | **$131,770** | **$260,403** | **$389,036** | **$824,282** |
| **Grand Total** | **$61,138** | **$187,037** | **$369,621** | **$552,206** | **$1,170,002** |

# SCHOOL SAFETY

***Ensuring Safety And Security For Students And School Personnel***

In the wake of increasingly dangerous and violent acts committed against students and staff on school grounds over the past two decades, the Legislature has effectively worked with the Executive to enact and amend laws protecting students, school personnel, and school district property beginning with New York SAFE Act as well as previous significant legislation such as the Safe Schools Against Violence in Education Act (Project SAVE)) enacted as Chapter 180 of the Laws of 2000. The Project SAVE legislation sought to provide a safer and more effective learning environment for students. Key provisions of the Project SAVE legislation include the following:

***New York Safe Act***

In addition to the enhancement of Building Aid for school district safety and security building projects approved by SED, Chapter 1 of the Laws of 2013 furthers the Legislature's commitment to making sure students, school personnel, and communities are safe. A new section 265.01-a of the Penal Law makes criminal possession of a weapon on school grounds or on a school bus, on college or university grounds or buildings, without written permission by such institution a class E felony. The Education Law was also amended by the addition of a new section 2801-b that authorizes the Executive to establish New York State School Safety Improvement teams for the purpose of reviewing and assessing school safety plans for school districts, BOCES organizations, and County Vocational Education and Extension Boards who voluntarily submit their safety plans for such review and advisement.

***Project Save***

The Safe Schools Against Violence in Education Act (Project SAVE)) enacted as Chapter 180 of the Laws of 2000. The Project SAVE legislation sought to provide a safer and more effective learning environment for students. Key provisions of the Project SAVE legislation include the following:

District-Wide School Safety Plans The Legislature added a new section 2801-a to the Education Law requiring Boards of Education of every school district to develop and submit to SED a comprehensive safety plan outlining policies and procedures for responding to threats, acts of violence, hostage taking, intruders, kidnappers, and bomb threats; notification of law enforcement and parents/guardians; identification of prevention and intervention strategies; improving communication among students and between students and staff; and annual school safety training for students and staff pursuant to an amended section 3004 of the Education Law.

Building-Level Emergency Response Plans Section 2801-a also requires every school district to have a building-level plan addressing policies and procedures for safe evacuation, shelter sites, transportation, medical needs, and emergency notification of parents; designation of an emergency response team; access to plans and maps of building interior, exterior, and surrounding area; establishing an internal and external communication system; drills and exercises to periodically test such emergency response plan; and protocol for securing and restricting access to a crime scene. Building-level plans must be submitted to SED, local law enforcement agencies and the New York State Police. For security reasons, such plans are not available to the public.

Codes of Conduct A new section 2801 of the Education Law was added that requires every school district to adopt and submit to SED a detailed code of conduct that applies to teachers, students, personnel, and visitors.

Fingerprinting Requires prospective school district employees and applicants for State certification to be fingerprinted for a criminal history background check in order to be cleared for employment.

Uniform Violent Incident Reporting System Adds a new section 2802 of the Education Law to establish in conjunction with the Department of Criminal Justice Services a uniform violent incident reporting system for school districts to submit information on such incidents to SED.

Increasing Teacher and Principal Authority Adds a new Section 3214 to the Education Law to define "disruptive pupils" and "violent pupils"; amends the same section to strengthen student disciplinary procedures; strengthens the authority of teachers to remove disruptive or violent pupils from the classroom; and adds principals to those authorized to suspend pupils from school without prior Board approval.

Instruction in Civility, Citizenship, and Character education Adds a new section 801-a to the Education Law to require all school districts to incorporate civility, citizenship, and character education into the K-12 curriculum.

Penalties and Notification Requirements Various sections of New York State Penal Law, Education Law, Criminal Procedure Law, and the Family Court Act were amended to provide for increased penalties for assaults on teachers and students committed on school grounds; penalties for "silent resignations" where employees are allowed to resign rather than disclose allegations of child abuse; expanded teacher discipline; and expanded notification requirements to schools from family and criminal court pertaining to student/juvenile delinquency adjudications.

***School Safety And Violence Prevention Funding Initiatives***

Consistent with the Legislature's commitment to provide a safer and more effective learning environment, the Legislature has funded the following initiatives to assist school districts with protecting students, staff, and property:

Extended Day/School Violence Prevention Grants Since 2001-02, the State has provided approximately $304 million in competitive grants to enable schools and their community partners to establish programs to teach students about tolerance, provide before school and after school safe activities, and offer programs preventing youth violence.

Building Aid for metal detectors, electronically operated partition doors, security cameras, and security devices Since the 2001-02 school year, the State has reimbursed school districts over $16.5 million pursuant to section 3602 6-c of the Education Law for expenditures on metal detectors, security cameras, and security devices. More recently, under the New York Safe Act enacted as Chapter 1 of the Laws of 2013, a new section 3602 6-c (b) of the Education Law was added authorizing an additional 10 percent of Building Aid for all school districts with SED approved projects with expenditures for metal detectors, security cameras or other security devices such as electronic safety and security systems and hardened doors that increase the safety of students and school personnel.

Transportation Aid for Video Cameras installed on School Buses Sometimes referred to as "Silent Witness" cameras, school districts may claim expenditures for Transportation Aid for the purchase and installation of video cameras on school buses.

New York Center for School Safety Originally started as a technical assistance center for Extended Day/School Violence Prevention funded programs, the Center has expanded its role to support the dissemination of information, provide policy support, violence prevention programming, training, crisis management, and promoting healthy and safe learning environments for schools and communities. The Legislature has supported the Center with an annual appropriation for over fifteen years amounting to approximately $7 million in operating funds received by the Center to date.

***Continuing The Commitment To Greater Student School Personnel Safety***

The State Senate Republican Conference is committed to continue the pursuit of enacting meaningful legislation that ensures student and school personnel safety for both the State's public and private schools. While Project SAVE and the NY SAFE Act provide a number of safety provisions that are critically important to school security they do not:

- provide equal funding for public and nonpublic students across the State for the purchase of security equipment intended to make the learning environment one free of violence;
- provide funding for school resource officers;
- statutorily provide salary cap waivers for retired police personnel for schools to utilize their years of safety experience in the educational setting;
- provide incentives for greater coordination among law enforcement and school districts at the local level to help facilitate improved emergency response; and
- ensure all students both in public and nonpublic schools have safe transportation to and from school including considerations of drop off proximity to students home.

# HIGHER EDUCATION / NY-SUNY 2020 PROGRESS – PHASE III

***NY-SUNY 2020 Phase III and NY-CUNY 2020 (SFY 2013-14 Executive Budget)***

The SFY 2013-14 Executive Budget creates a new NY-CUNY 2020 grant program and includes a third round of grant funding for SUNY. Each university system, SUNY and CUNY, will be eligible for $55 million in grant funding, for a total of $110 million. Both two and four-year colleges within SUNY and CUNY will be eligible for awards. Project awards will be made based on economic impact, advancement of academic goals, innovation and collaboration. Moving forward, the Executive plans to fund additional rounds of NY-SUNY 2020 and NY-CUNY 2020 for each of the next five fiscal years.

The Executive Budget also maintains General Fund operating support for SUNY and CUNY at prior year levels. Additional appropriation authority of $106 million for SUNY and $61 million for CUNY is included to support the maximum allowable annual tuition increase of $300 per academic year. As shown in the chart to the right, SUNY and CUNY tuition and fees still remain below the national average for four-year public colleges.

| Tuition & Fees: SUNY & CUNY v. National Average | | | |
|---|---|---|---|
| | SUNY four-year college | CUNY four-year college | National Average: four-year public college (1) |
| 2012-13 Average Tuition and Fees | $6,910 | $5,856 | $8,655 |
| % Differential from National Average | -25.3% | -47.8% | |

1 - As reported by The College Board

***BACKGROUND: Phases I & II***

Phase I of NY-SUNY 2020 (SFY 2011-12)

In June 2011, the Legislature passed and the Governor signed into the law the NY-SUNY 2020 Challenge Grant Program Act ("NY-SUNY 2020"). The legislation established a five-year period, beginning with the 2011-12 academic year, during which the Trustees for the State University of New York (SUNY) and the City University of New York (CUNY) would be authorized to increase undergraduate and graduate tuition. Tuition increases would be designed to support the addition of faculty, reductions in class size and increased course offerings with the goal of improving academic performance and graduation rates. The legislation provided for a rational tuition plan for all SUNY campuses, authorizing trustees to increase tuition up to three hundred dollars annually for five years. In addition, the NY-SUNY 2020 legislation included the following:

- Authorized the University Centers (i.e., Albany, Binghamton, Buffalo and Stony Brook) to implement a **non-resident undergraduate tuition increase** of up to 10 percent annually for five years, subject to Executive and SUNY Chancellor approval.
- The SUNY Board of Trustees are required to approve and **submit a master tuition plan** setting forth the proposed tuition rates for resident undergraduate students for the five-year period beginning in the 2011-12 academic year and ending in the 2015-16 academic year.

- The State is required to appropriate operating support in an amount no less than provided in the prior State Fiscal Year ("**Maintenance of Effort**"), except when the Governor declares a fiscal emergency.
- The University Centers would be authorized to offer **additional financial assistance** to students whose net taxable income is more than $80,000, subject to Executive and SUNY Chancellor approval.
- Allow the City University of New York ("**CUNY**") to implement a **rational tuition plan** with increases up to three hundred dollars annually for five years, ending in the 2015-2016 academic year.
- Establish tuition credits, which requires SUNY and CUNY to apply a credit against the tuition charged to a TAP eligible student. The amount of the applicable tuition credit is based on the level of a student's tuition assistance program ("TAP") award, and would be calculated by the Higher Education Services Corporation ("HESC").
- Authorize the Empire State Development Corporation to issue **$80 million** in bonds to implement the capital program under the **NY-SUNY 2020 Challenge Grant Program**.
- Allow the four SUNY University Centers to utilize up to **$60 million** in existing university wide appropriation authority ($20 million each) for projects approved through the **NY-SUNY 2020 Challenge Grant Program**, subject to a plan approved by the Executive and Chancellor.

Phase II of NY-SUNY 2020 (SFY 2012-13)

The SFY 2012-13 budget built on NY SUNY 2020 by extending the Challenge Grant program to SUNY's other 60 campuses. A total of $60 million in funding was included for Phase II of NY-SUNY 2020. The enacted budget achieved this by making up to $30 million in existing university-wide capital funding available from previously appropriated amounts, combined with $30 million in funding from the Empire State Development Corporation. It is expected that between five and twelve awards will be made. These awards were originally expected to be made during the SFY 2012-13, however there is currently no timetable for when they will be allocated. The budget also maintained General Fund support for SUNY and CUNY, consistent with the provisions of the June 2011 legislation.

***University Center Master Plans***

During SFYs 2011-12 and 2012-13, the Governor and SUNY Chancellor approved each of the four University Centers' master plans, as required under the Challenge Grant program for receipt of capital funding. The master plans outlined uses for the capital funding, the revenue derived from the tuition increases, and the portion of the revenues to be used for additional financial aid for students receiving tuition assistance. Details on each of the campus plans are as follows:

University of Albany

SUNY Albany plans to utilize its $35 million Challenge Grant to construct a $165 million Emerging Technologies and Entrepreneurship Complex (ETEC) on the east side of the Uptown Campus. The ETEC will be used to bolster SUNY Albany's ability to translate academic research into commercialization. The annual tuition increase authorized under NY-SUNY 2020 is estimated to raise an additional $10.2 million in Academic Year (AY) 2013-14, of which $1.1 million will be returned to students in the form of a TAP credit. These revenues will support an additional 50 full-time faculty positions.

Binghamton University

Binghamton University's Challenge Grant will support the construction of a $70 million Smart Energy and Research Development Facility. This facility will fuel research, teaching and entrepreneurial activity in energy-related disciplines such as solar energy, fuel-cell technologies and energy storage methods. Revenue from the tuition increase in AY 2013-14 is projected to total $10.7 million, of which $1 million will be returned to students in the form of TAP credits. These revenues will support approximately 31 new faculty hires.

*University at Buffalo*

The University at Buffalo will use its $35 million Challenge Grant to partner with the Kaleida Health System for the relocation and expansion of its medical school in downtown Buffalo. This multiphase project will total $655 million and result in a new School of Medicine and Biomedical Sciences. Revenue from the tuition increase will approximate $17.6 million in AY 2013-14, of which $1.7 million will be returned to students in the form of need-based aid. These revenues will support roughly 60 new faculty hires.

*Stony Brook University*

Stony Brook University plans to use its $35 million Challenge Grant to construct a $194 million Medical and Research Translational (MART) facility with Challenge Grant capital. The MART will build on Stony Brook's expertise in cancer research and treatment and house its new Biomedical Imaging Program. Revenue from tuition increases is projected to total $16.5 million in AY 13-14, of which $3.6 million of that revenue will be returned to students in the form of need-based aid. These revenues will support the hire of 55 new faculty members.

# STATE INFRASTRUCTURE

### *New York Works Infrastructure Investment*

The SFY 2013-14 Executive Budget **proposes an additional $555 million for capital projects through the New York Works Program.** New York Works was established in SFY 2012-13 as a capital acceleration and enhancement program. The SFY 2012-13 multi-year Program included $15 billion in funding for transportation, environment, and economic development, to be collectively known as New York Works.

### *New Capital Appropriations*

The total SFY 2013-14 new investment for infrastructure and economic development under the New York Works program is recommended at $555 million. Of this, $165 million is earmarked for economic development and is discussed in the Economic Development Highlights section of this report. Additionally, $90 million is allocated to Environment related projects, and is detailed in that section of this report. The remaining $300 million is allocated for transportation infrastructure.

New York Works funding of $555 million for SFY 2013-14 is distributed as follows:

| SFY 2013-14 New York Works (Dollars in Millions) | |
|---|---|
| Environment | $90 |
| Economic Development | $165 |
| Transportation | $300 |
| **Total** | **$555** |

### *Environment and Parks*

The Executive proposal includes $90 million of new appropriations for the next round of New York Works capital projects:

- $50 million to the Office of Parks, Recreation, and Historic Preservation (OPRHP)
- $40 million to the Department of Environmental Conservation

### *Economic Development*

The Executive proposal includes $165 million in new appropriations for capital grants. All of these funds would be spent at the Executive's discretion, and would not be subject to the Regional Council process.

### *Transportation*

The 2013-14 Executive Budget includes an additional $300 million in funding for Roads and Bridges, under New York Works. This additional $300 million increases the One-Year Capital Program total to $3.7 billion. The $300 million would be funded entirely through new Personal Income Tax (PIT) bonds, and not through the Dedicated Highway and Bridge Trust Fund (DHBTF).

In addition to the $300 million from New York Works for transportation, there is $100 million in new capital spending authorized in the SFY 2012-13 Enacted Budget (the agreement added $100 million to Road and Bridge Capital for SFY 2013-14, and another $100 million in SFY

2014-15). According to the Division of the Budget, $100 million agreed to in SFY 2013-14 is allocated to Department of Transportation's construction and engineering operations.

The Executive SFY 2013-14 proposal seeks to spend $100 million of transportation capital through the Regional Economic Development Councils in SFY 2013-14. The Budget last year did not specify the allocation of the $100 million within the SFY 2013-14 plan, agreed upon between the Legislature and the Executive. The chart below details the new transportation capital spending:

| New York Works New Transportation Capital (Dollars in Millions) | | | | | |
|---|---|---|---|---|---|
| | SFY 2013-14 | SFY 2014-15 | SFY 2015-16 | SFY 2016-17 | SFY 2017-18 |
| Agreed Upon 2-Year Capital Plan | $100 | $100 | $0 | $0 | $0 |
| 2013-14 Executive Proposal | $300 | $300 | $300 | $300 | $400 |
| **Total** | **$400** | **$400** | **$300** | **$300** | $400 |

The newly appropriated DOT transportation capital includes $100 million for both SFY 2013-14 and SFY 2014-15 as agreed upon for the 2-Year Capital Plan, as well as an additional $300 million per year from SFY 2013-14 through SFY 2016-17, and increasing to $400 million in SFY 2017-18.

At this time, Capital Plan project lists have not been made public. As mentioned above, the Executive 2013-14 proposal anticipates that $100 million of these funds be allocated through the Regional Economic Development Councils, the remaining funds would go to the core Highway and Bridge program.

The following table includes the DOT capital plan obligations that reflect the Executive proposal, including Core and New York Works projects. Transportation related Sandy Relief funds totaling roughly $50 million will be disbursed in SFY 2013-14, but these funds are not included in either the Core program, or New York Works.

| Transportation Capital Obligations (Dollars in Millions) | | | | |
|---|---|---|---|---|
| | 2012-13 Estimated | 2013-14 Proposed | YTY Change | % Change |
| Core Highway Program (including Design/Build contracts) | $1,955 | $1,948 | $-7 | 0% |
| New York Works - Highway Program | $1,164 | $200 | $-964 | -83% |
| Admin. | $99 | $94 | $-5 | -5% |
| State Forces Engineering/ Program Mgmt | $378 | $398 | $20 | 5% |
| Preventive Maintenance | $336 | $320 | $-16 | -5% |
| Maintenance Facilities | $18 | $18 | $0 | 0% |
| Other Federal Programs | $87 | $103 | $16 | 18% |
| Rail Development | $47 | $54 | $7 | 15% |
| Aviation Systems | $6 | $4 | $-2 | -33% |
| Non-MTA Transit | $40 | $37 | $-3 | -7% |
| New York Works - Regional Councils | $0 | $100 | $100 | ---- |
| Capital Aid to Locals | $403 | $403 | $0 | 0% |
| **Total** | **$4,533** | **$3,679** | **$-854** | **-19%** |

*Source: Division of the Budget*

As shown in the table above, the DOT Capital Plan decreases by $854 million from SFY 2012-13 to this year. This is largely attributable the acceleration of Federal funds from future years into SFY 2012-13.

In SFY 2012-13, $917 million (79 percent) of New York Works transportation spending came from accelerating Federal funds, which were scheduled for future years.

Total obligations for transportation capital decreases by $854 million from SFY 2012-13 to

SFY 2013-14, and then remains relatively consistent through SFY 2016-17.

At this time, it is expected that a Two Year Plan for SFY 2013-14 and SFY 2014-15 will be established and agreed to by the Legislature. Traditionally, in order to maintain the transportation system, a Five Year Plan is enacted. This however is largely contingent upon Federal funding, and the current Federal Transportation Plan only provides funding for two years.

## ***MTA***

The SFY 2013-14 Executive Budget maintains support for the Metropolitan Transportation Authority's (MTA) $26.2 billion 2010-14 Capital Program. This includes $770 million in State support approved in last year's Enacted Budget.

| **Infrastructure Program Investment (Dollars in Millions)** | | |
|---|---|---|
| | **SFY 2012-13** | **SFY 2013-14** |
| New York Works | $15,000 | $300 |
| MTA Capital Program | $770 | --* |

**These funds are reappropriated in SFY 2013-14 to fund the 2010-2014 Capital Program.*

MTA 2010-2014 Capital Program – Superstorm Sandy Amendment Funding

The SFY 2012-13 Enacted Budget included an amendment that financed the last three years of the Metropolitan Transportation Authority's (MTA) $22.2 billion 2010-2014 Capital Program. Last year's Enacted Budget included $770 million in state support for the 2010-2014 MTA Capital Plan, and authorized a $7 billion increase in the MTA's bonding capacity. More recently, the MTA has received approval for a nearly $4 billion amendment to its 2010-2014 Capital Program to repair the unprecedented damage caused by Superstorm Sandy.

| **MTA 2010-2014 Capital Program, Superstorm Sandy Amendment (Dollars in Millions)** | | | |
|---|---|---|---|
| **Plan** | **March 2012 Approved Plan** | **January 2013 Approved Plan** | **Change** |
| **Core Capital Plan** | | | |
| New York City Transit | $11,649 | $11,649 | -- |
| Long Island Rail Road | $2,316 | $2,316 | -- |
| Metro-North Railroad | $1,544 | $1,544 | -- |
| MTA Bus | $297 | $297 | -- |
| MTA Wide Security/Sandy Recovery Program | $335 | $4,312 | $3,977 |
| MTA Interagency | $315 | $315 | -- |
| **Core Subtotal** | **$16,546** | **$20.433** | **$3,977** |
| Network Expansion Projects | $5,739 | $5,739 | -- |
| **Total 2010-2014 CPRB Plan** | **$22,195** | **$26,172** | **$3,977** |

The MTA Capital Program Review Board (CPRB) approved a $4 billion amendment to address Superstorm Sandy damage. The MTA estimates its total cost from Sandy to be $5 billion, which includes infrastructure damage of $4.8 billion, as well as lost revenue and increased operating costs of $268 million.

The $4.8 billion of total infrastructure damage includes $778 million in capital recovery projects for the MTA's Bridges and Tunnels division, a portion of the 2010-2014 Capital Plan that is not subject to CPRB oversight.

The recently approved $4 billion CPRB amendment increases the MTA's 2010-2014 Capital Plan for New York City Transit, Long Island Railroad, Metro-North Railroad, MTA Bus and the MTA Capital Construction Company to $26.2 billion from the previously approved $22.2 billion.

Roughly half of the restoration projects would begin by the end of 2013, with the other half in 2014. While the MTA anticipates that federal disaster recovery funds from the Federal Emergency Management Agency (FEMA) and other agencies, as well as insurance proceeds, will eventually pay for at least 75 percent of the Sandy-related project restoration costs, in the interim the MTA plans to finance these additional capital expenses with short term borrowings (i.e., Bond Anticipation Notes or BANS).

If insurance and federal reimbursements do not fully fund the recovery work, the MTA intends to issue bonds to pay for the remaining expenditures. The MTA has already allocated within its operating budget the targeted savings to pay the interest on $2 billion ($2.5 billion including Bridges & Tunnels) in short term borrowings and debt service on $792 million ($950 million including Bridges & Tunnels) of MTA bonds for Sandy-related CPRB projects.

Within three years, the MTA intends to realize $75 million in additional, annual budget savings to pay the financing costs for these storm-related repairs.

| **MTA Sandy Amendment, Agency Shares (Dollars in Millions)** | |
|---|---|
| **Agency** | **January 2013 Approved Plan** |
| New York City Transit | $3,449 |
| Long Island Rail Road | $267 |
| Metro-North Railroad | $188 |
| MTA Bus | $25 |
| Capital Construction Company | $48 |
| **Recovery Projects: 2010-2014 CPRB Plan** | **$3,977** |
| Bridges & Tunnels (Not Subject to CPRB Approval) | $778 |
| **Total Recovery Projects: 2010-2014 MTA Capital Plan** | **$4,755** |

Superstorm Sandy was the most devastating natural disaster to strike the MTA network. Damage to the MTA system included flooding of 8 subway tunnels; washed out sections of the Rockaway subway line (A) in Queens; flooding of the South Ferry and Whitehall subway stations in Lower Manhattan; and flooding of numerous subway and commuter railroad yards and depots, including damage to the LIRR's Long Beach branch. The approved $4 billion 2010-2014 Capital Plan amendment includes Sandy recovery projects in a new, dedicated category, which follows the approach that was used for 9/11 recovery projects.

## ***Thruway Authority***

### Tappan Zee Bridge Replacement

The financing plan for construction of a new Tappan Zee Bridge has not been finalized. The State is still waiting for the outcome of its application for a low-cost Federal Transportation Infrastructure Finance and Innovation Act (TIFIA) loan.

The State applied for a TIFIA loan for as much as $2.1 billion, or about 49 percent of the project's estimated $4 billion total cost, an amount that includes about $800 million in related costs. It is expected that the balance of the project will be financed by increased Tappan Zee Bridge tolls, with the additional revenues being dedicated to finance bonds for construction of the new bridge.

There was considerable controversy during the summer of 2012, after it was suggested that the current $5 automobile toll might increase to as much $14 to help finance the new bridge. At the time, the Executive said that a $14 toll was too high, and that an effort would be made to minimize necessary increases. Nevertheless, until a financing plan is finalized it remains unclear how much Tappan Zee Bridge tolls will increase.

In December 2012, after the necessary environmental reviews and the submission of three final bids, the New York State Thruway Board approved a $3.1 billion contract for a new Tappan Zee Bridge. A consortium named Tappan Zee Constructors, led by Texas-based Fluor Enterprises, submitted the winning $3.1 billon, low-cost bid. Construction is scheduled to start soon and take just over five years to complete. The procurement process for the project included design-build construction, as authorized by legislation passed in December 2011, and which allowed single bids encompassing design through construction.

The new Tappan Zee Bridge, which will be designed to last at least 100 years, will include eight general traffic lanes plus emergency lanes and extra-wide shoulders to accommodate express bus service, as well as a dedicated bicycle and pedestrian path with scenic overlooks. Primarily due to cost concerns, the approved Tappan Zee Bridge replacement plan does not include a bus rapid transit (BRT) or commuter rail component, a decision that has been criticized by some environmental and transit advocacy groups. However, the new bridge will be built with the capacity to accommodate a future transit service, such as BRT, light rail or commuter rail.

***Design-Build***

In addition, the SFY 2013-14 Executive proposal includes language to authorize Design-Build financing. Design-Build finance is an alternative project delivery method wherein one company is responsible for financing, designing, and construction of the same project. All State agencies and Authorities, except for SUNY and CUNY, would be authorized to use Design-Build for their capital projects.

# "TAX FREE" INNOVATION HOT SPOTS

The Executive Budget proposal would create "tax free" innovation hot spots around the State in order to initiate collaboration between the State's higher education institutions and businesses that are in their formative stages. A total of ten hot spots would be created throughout the State, designated by the Department of Economic Development. Five of the hot spots would be designated and receive state funding of $1.25 million for operating costs in SFY 2013-14. An additional five would be designated in SFY 2014-15 with total state funding of $3.75 million for the ten hot spots. Hot spot designations would be recommended by the regional economic development councils. The Executive anticipates that one hot spot would be located in each of the ten economic development regions of the State.

***Identification of Innovation Hot Spots***

The Innovation Hot Spots would be facilities that are operated by higher education institutions, not-for-profit entities associated with the higher education institutions, or a collaborative enterprise between more than one higher education institution and a not-for-profit entity. Qualified business entities would be required to submit applications to these entities in order to lease space within the facilities.

Both the higher education institution and the innovation hot spot must be designated by the Department of Economic Development (DED). However, the designation schedule of the hot spots and the higher education institutions is unclear.

Designation by the Executive

**The Executive proposal primarily allows DED the discretion to establish criteria and guidelines defining how these hot spots are to be established and the types of businesses that will be allowed to be housed in these hot spots.**

The only guidelines that are set forth in the Executive's proposal are those defining a qualified business and an operator of an innovation hot spot. However, even these definitions are vague.

A qualified business is defined as:

- a business enterprise that is in its formative stages,
- is located in New York, and
- has been approved by the operator of the hot spot.

The qualified business can take the form of a corporation, sole proprietorship, limited liability company, partnership or Subchapter S-corporation as long as it is not similar in operation or ownership to a currently taxable entity. In addition, if the business is a corporation, over 50 percent of the corporation cannot be owned by a current taxpayer.

As stated above, the operator of an innovation hot spot is a college or university or an entity affiliated with a college or university that is located within the State. The **institution must also be able to provide support services** to its qualified businesses, such as administrative services, business planning and educational opportunities. In addition, in order to be designated as the operator of a hot spot, the **institution must be able to leverage other sources of funding**, have the ability to provide entrepreneurial mentoring, and other requirements as DED may deem necessary.

The colleges or universities would be allowed to receive applications from qualified businesses to lease space within the hot spot for a period of five years from the date that DED approves the hot spot. The proposal does not specify the length of the leases or whether the college or university could enter into a lease with a qualified business after that five year period even though the application was submitted prior to the deadline. In addition, when this five year period ends, a question remains as to whether the hot spot would cease to exist or if it could be re-designated by DED.

***State Benefits***

The State would provide two forms of benefits for these innovation hot spots. One would go to the operator of the hot spot, the other to the business located in the hot spot. First, DED would provide each operator of a hot spot with **$500,000 to cover a portion of the operating costs of the hot spot**. A total of $5 million would be provided when all the hot spots are designated.

Second, a qualified business admitted to the innovation hot spot would receive certain business and sales tax benefits. However, **the qualified business would not be totally exempt from these taxes** as this program has been touted. If the qualified businesses has related business partners or is a sole proprietor or a limited liability company (LLC), it would be allowed to deduct its income or gain derived from its operations in the hot spot from its federal adjusted gross income. However, if the business files its taxes under the corporate franchise tax, it would still be subject to the fixed minimum tax ranging from $100 to $1,500. If the business were a limited liability company or a partnership, it would be required to pay the LLC filing fee ranging from $25 to $4,500. Additionally, **the business could not claim any other credit or deduction if they are participating in this program**.

In relation to the sales tax, the qualified business would be allowed to claim a refund of any sales taxes paid on the purchase of tangible personal property or services associated with the business.

# REGIONAL ECONOMIC DEVELOPMENT COUNCILS

***Overview***

In an effort to change the process by which economic development funding was distributed throughout the state, the SFY 2011-12 Executive budget introduced the use of regional economic development councils. These regional economic development councils have no authority to allocate funds and are not codified in law. At the time, the Executive announced that the councils would be established by Executive order, however, an Executive order was never issued.

The objective of the regional economic development councils is to provide "one stop shopping" to New York's businesses for all funding programs offered by the State's agencies and authorities. A Consolidated Funding Application (CFA) was created for businesses to submit one application for various funding sources across all of the State's agencies. As a result, many of the State's existing funding programs were consolidated under the purview of the regional councils.

The ten regional economic development councils represent the ten regions that are covered by ESDC's regional offices: the Capital Region, Central New York, the Finger Lakes, Long Island, the Mid-Hudson Region, the Mohawk Valley, New York City, the North Country, the Southern Tier, and Western New York. The members of these regional councils were appointed by the Governor and are comprised of members of business, academia, and community organizations in each of the regions. The director of each ESDC regional office serves as the executive director of their respective regional council. The Lieutenant Governor acts as the chair of all the councils.

***Funding***

In 2011, the regional economic development councils were tasked with creating strategic plans for economic development within their regions as well as advocating for state funding for projects consistent with their strategic plans. The strategic plans were reviewed and scored by the Strategic Plan Committee, comprised of five members appointed by the Governor and the Lieutenant Governor.

The SFY 2011-12 Enacted budget included $200 million in economic development funding for the regional economic development councils: $130 million from the Regional Council Capital Fund and $70 million in Excelsior Jobs Tax Credits ($7 million per year for ten years). In addition to this economic development funding, the Executive identified an additional $800 million in existing resources including both state and federal grants as well as state and federal tax credits to support the councils.

Every business seeking to access the $1 billion in funding was required to submit a Consolidated Funding Application (CFA). The CFAs were reviewed and scored by both the respective regional economic development council and the state agency administering the funding program. Each regional economic development council was required to establish scoring standards that took into consideration, among other things, whether the project: (1) was identified in or advanced the region's strategic plan; (2) had significant community and stakeholder support; (3) leveraged other public, private and non-profit funding sources; and (4) if funded, could be monitored and evaluated against the council's performance measures.

Funding for any project was awarded on a competitive basis based on a scoring system of 100 points. **The state agency's score comprises 80 percent of the applicant's final score** and **the regional economic development council's score comprises 20 percent**.

In 2012, the function of the regional councils was to track the performance of the projects that were previously awarded funding and to ensure that they met the parameters of the strategic plans. The SFY 2012-13 budget included an additional $240 million in economic development funding to be allocated by the regional economic development councils as follows:

- $150 million from the Regional Council Capital Fund,
- $20 million from the Economic Development Fund, and
- $70 million ($7 million per year for ten years) in Excelsior Jobs Program tax credits.

The SFY 2012-13 budget also included $100 million in funding for the Buffalo Regional Innovation Cluster as follows:

- $75 million in capital funding and
- $25 million ($2.5 million per year for ten years) in Excelsior Jobs Program tax credits.

The Western New York regional economic development council was tasked with developing a plan to implement the funding for the Buffalo Regional Innovative Cluster.

In May 2012, the Executive announced a second round of economic development council funds totaling $750 million. The Executive changed some funding sources to reflect what the Executive believed was in line with the mission of the regional councils. The table on the following page shows the funding sources for each round of awards.

| Available Resources for Regional Councils | | |
|---|---|---|
| (millions of dollars) | | |
| **Source** | **Round 1** | **Round 2** |
| **Empire State Development** | | |
| Capital funding through the Regional Council Capital Fund | $130 | $150 |
| Tax credits from the enhanced Excelsior Jobs Program | $70 | $70 |
| Economic Development Purposes Grants | $19 | $0 |
| Economic Transformation Program | $30 | $0 |
| Environmental Investment Program | $1 | $1 |
| Urban and Community Development Program | $0 | $4 |
| Regional Tourism Marketing Initiative | $0 | $3 |
| **Department of Agriculture and Markets** | | |
| Agriculture Development Program | $0 | $3 |
| **New York State Council on the Arts** | | |
| Arts Grant Program | $0 | $4 |
| **Energy Research and Development Authority** | | |
| Energy efficiency and renewable energy projects and programs | $75 | $50 |
| Regional Greenhouse Gas Initiatives (RGGI) for cleaner, greener communities | $100 | $12 |
| **Homes and Community Renewal** | | |
| Community Development Block Grant Program | $44 | $28 |
| Housing grants and tax credit programs | $125 | $0 |
| New York Main Street Program | $0 | $5 |
| Rural Area Revitalization Projects | $0 | $4 |
| Urban Initiatives Program | $0 | $4 |
| **Department of Transportation** | | |
| Transportation Bond Act, Aviation, Rail & Port Funds | $43 | $0 |
| Multi-Modal Funds | $7 | $0 |
| **Environmental Facilities Corporation** | | |
| Clean Water Engineering Planning Grants | $0 | $2 |
| Green Innovation Grant Program | $20 | $13 |
| **Parks, Recreation and Historic Preservation** | | |
| Municipal Parks and Historic Preservation Projects | $13 | $16 |
| **Department of State** | | |
| Environmental Protection Fund Local Waterfront Revitalization Program | $11 | $15 |
| **Department of Labor** | | |
| Workforce Investment Act related training and workforce development activities | $3 | $5 |
| **NYS Canal Corporation** | | |
| Canalway Grant Program | $2 | $1 |
| **Private Activity Bond Cap (Industrial Development Bond Cap)** | | |
| Allocations of tax-exempt status for bonds that would be available from up to $350 million of the annual Federal authorization of the 2012 cap | $350 | $350 |
| **Total** | **$1,043** | **$740** |

## ***Awards***

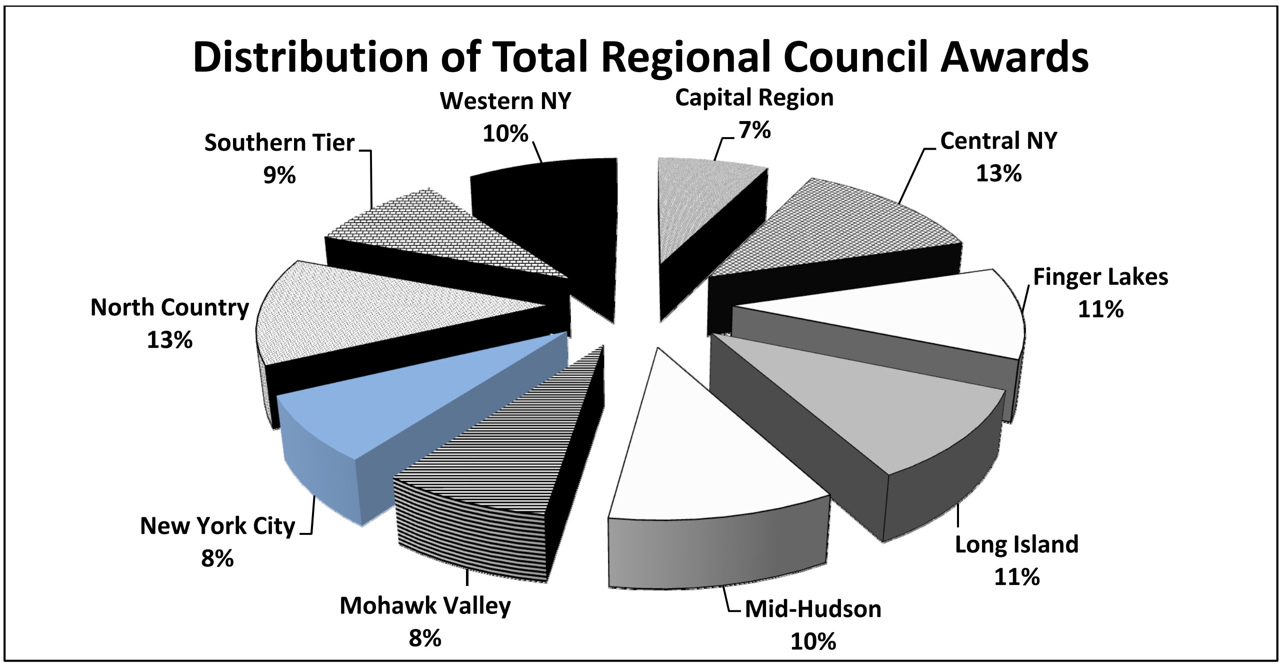
In the first round of regional council awards, the four regions whose strategic plans scored the highest each received $40 million of the $200 million in economic development funding appropriated in the SFY 2011-12 enacted budget: $25 million in economic development capital and $15 million in Excelsior Jobs Program tax credits. The remaining $40 million in funding, $30 million in economic development capital and $10 million in Excelsior Jobs Program tax credits, was allocated among the other six regions. All the projects awarded funding from the other resources were awarded funding if they met the various guidelines and established competitive criteria of the different programs. **In 2011, the four regions with the winning strategic plans were: Central New York, Long Island, the North Country, and Western New York**.

Unlike the first round that awarded funding based on the best strategic plans, the second round awarded funds to regions that were effectively implementing their strategic plans and updating them to address any weaknesses. In this round, the four regions with the best strategic plans in round one competed for two awards of up to $25 million ($50 million of the $150 million in regional economic development funding). The other six regions competed for three awards of up to $25 million. The remaining $25 million was allocated among the "losing" regions. All of the regions competed for seven awards of up to $10 million in Excelsior Jobs credits. **In 2012, the five regions with the winning plans were: the Finger Lakes, Central New York, Mid-Hudson, the Southern Tier, and the North Country**.

Between the two rounds of regional economic development council awards, a total of 1,509 projects were awarded funding. Of these projects awarded funding from the regional economic development councils, only ninety-three, or approximately 6.2 percent, were awarded funding under two or more funding programs. Most of these awards were from different funding programs within the same agency. Only forty-three, or 2.8 percent, of the projects were granted awards from two or more agencies.

The economic development funding that was allocated as part of the regional council awards only accounted for a quarter of the total funding awarded. The following charts show the distribution of the regional council awards by region and the allocation of economic development funding as compared to total CFA funding.

| REGIONAL ECONOMIC DEVELOPMENT COUNCIL AWARDS (Millions of $) | | | | |
|---|---|---|---|---|
| | 2011 | | 2012 | |
| Region | Total CFA Funding | Economic Development Funding | Total CFA Funding | Economic Development Funding |
| Capital Region | 62.7 | 13.4 | 50.3 | 14.1 |
| Central New York | 103.7 | 47.1 | 93.8 | 35.1 |
| Finger Lakes | 68.8 | 16.6 | 96.2 | 35.5 |
| Long Island | 101.6 | 62.4 | 59.7 | 26.4 |
| Mid-Hudson | 67.0 | 16.5 | 92.8 | 32.8 |
| Mohawk Valley | 60.2 | 39.7 | 59.7 | 14.6 |
| New York City | 66.2 | 42.6 | 51.3 | 15.9 |
| North Country | 103.2 | 41.3 | 90.2 | 29.7 |
| Southern Tier | 49.4 | 13.0 | 91.1 | 34.0 |
| Western New York | 100.3 | 50.3 | 52.8 | 12.4 |
| **TOTAL AWARDS** | **783.1** | **342.9** | **737.9** | **250.5** |




***SFY 2013-14***

The SFY 2013-14 Executive budget proposal includes funding for a third round of regional economic development council awards - $150 million from the Regional Council Capital Fund and $70 million in Excelsior Jobs Credits. The Executive Budget also includes an additional $100 million for the Buffalo Regional Innovation Cluster to be allocated subject to a plan by the Western New York regional economic development council.

The Executive plans to hold a third round of the CFA process. However, there is currently no plan as to how the funds would be awarded or as to the amount of additional resources that would be available from other funding sources.

# NEW PROGRAMS DISCRETIONARY SPENDING

| SFY 2013-14 Executive Budget Proposals<br>New Programs and Discretionary Spending<br>(in millions) | | | | |
|---|---|---|---|---|
| | State Operating Funds | Capital Funds | New Programs/Redirected | Discrectionary |
| Education | $71 | - | ✓ | ✓ |
| Higher Education | $5 | - | ✓ | ✓ |
| Health | $355 | - | ✓ | ✓ |
| Transportation | - | $400 | | ✓ |
| Housing | - | $1,000 | ✓ | ✓ |
| Energy | $3 | - | ✓ | |
| Environment | - | $40 | | ✓ |
| Economic Development* | $5 | $1,220 | ✓ | ✓ |
| Human Services* | $16 | - | ✓ | ✓ |
| Totals | $455 | $2,660 | | |
| | | | | |
| *Economic Development and Human Services State Operating Funds amounts are for SFY 2015-16 | | | | |

The SFY 2013-14 Executive Budget includes new programs throughout various agencies. Many of these programs, which are direct aid and grant programs, are in lump sum appropriations and are proposed to be distributed at the sole discretion of the Executive. In addition, some of these proposed initiatives would be funded by eliminating existing programs. New capital spending, distributed through regional economic development councils, is also included in the Executive proposal.

***<u>Economic Development – $1.2 Billion Agency Discretionary</u>***

New discretionary capital programs include:

*<u>Transformative Capital $720 million</u>*

This new capital funding would be for transformative economic development projects with an estimated disbursement level of $100 million in SFY 2013-14 and allocated as follows:

- $360 million through the Empire State Development Corporation
- $360 million through New York Works Task Force

The Executive Budget includes additional discretionary funding for existing programs:

- $110 million for SUNY 2020 Challenge Grant Program ($55 million SUNY and $55 million CUNY)
- $150 million for regional economic development councils
- $165 million for New York Works Economic Development Fund
- $75 million for Buffalo Regional Innovation Cluster

*Innovation Hot Spots $1.25 million*
Ten new designated tax free zones for businesses and higher education institutions. Operations funding would increase from $1.25 million to $5 million when fully funded in SFY 2015-16 and tax benefits would occur in the out years.

***Education – $71 Million Agency Discretionary***

The Executive proposes allocating $71 million in competitive performance and management grants authorized in the SFY 2012-13 enacted budget to four new competitive programs for the 2013-14 school year. Those districts which have not implemented an annual professional performance review (APPR) plan are not eligible for any of these grants.

*Full Day Pre-Kindergarten $25 million*
Incentives for districts to implement full day Universal Pre Kindergarten programs.

*School-wide Extended Learning $20 million*
Competitive Grants for extending the school day and/or the school year.

*Community Schools $15 million*
Competitive grants for creating community hubs within schools providing academic, health, nutrition, counseling, legal and/or other services to students and their families.

*Science and Math Education $11 million*
Competitive grants for a $15,000 annual stipend to the most effective math and science teachers.

***Higher Education - $5 Million Agency Discretionary***

*Next Generation College Linkage Program $5 million*
Additional performance-based operating aid to community colleges.

***Health - $355 Million Agency Discretionary***

The Executive proposes eliminating funding for 89 discrete public health care programs and consolidating the associated funding for each into six "Outcome Based Health Planning" block grants at a reduced gross amount of 10 percent. The new block grants would total roughly $355 million and the Executive estimates a $40 million savings in SFY 2013-14 from the consolidation.

The Health Department would establish outcome based contracting requirements making awards and grants on a competitive basis pursuant to requests for applications or proposals. The six new block grants would fund existing contracts, however programs could be eliminated and new programs could become eligible. The new programs include:

- $63.0 million - Chronic Disease Prevention and Treatment Program
- $19.8 million - Environmental Health and Infectious Disease Program
- $114.8 million - The Maternal and Child Health Outcomes Program
- $90.7 million - The HIV, AIDS, Hepatitis C and STDs Program
- $30.7 million - The Health Quality and Outcomes Program
- $36.2 million - The Workforce Training Program

***Transportation - $400 Million Agency Discretionary***

*Customer Service Initiative $4.5 million*
The Executive is proposing a new Department of Motor Vehicle initiative to reduce wait times and implement technological upgrades. The level of funding would decrease to $1.4 million in SFY 2014-15.

Within the Department of Transportation there is an additional $400 million in capital over last year, which is $300 million over the 2013-

14/2014-15 capital plan level of spending agreed to last year. This discretionary funding would be allocated as follows:

- $100 million in NY Works through the economic development regional councils
- $200 million in NY Works for highway and bridge projects
- $100 million for construction and engineering

***Environmental Conservation, Energy and Housing - $115 Million Discretionary***

*House NY Plan $1 billion over five years*
*New Program and Discretionary*
Preserve, repair, finance and build an estimated 14,300 affordable housing units.

*Energy Highway Initiative $3.4 million*
*New Program*
Increases public input through the Public Service Commission when a new transmission project is proposed.

New discretionary spending:

- $40 million in environmental NY Works projects including wastewater infrastructure improvements and site remediation
- $50 million in Parks NY Works projects
- $25 million through the economic regional councils for Cleaner, Greener Communities program

***Human Services***

*Pay for Success $16 million starting in SFY 2015-16*
A new result based program that would attempt to attract private funding into social programs.

# FACILITY CLOSURES, MERGERS AND CONSOLIDATIONS

The SFY 2013-14 Executive Budget proposal includes the closure of yet to be identified State –operated Psychiatric Centers, two prisons and the remaining four Office of Children and Families (OCFS) non-secure Youth Facilities throughout the State. In addition, the budget proposes various mergers and consolidations of state government agencies and functions. The following facilities are slated for closure:

OCFS

- Suffolk County – Brentwood
- Dutchess County -- Red Hook
- Orange County -- Middletown
- Tompkins County -- Lansing

Corrections – Prison Closures

- Manhattan -- Bayview Women's Prison
- Dutchess County -- Beacon Women's Prison

In some cases, legislation is proposed to bypass provisions requiring up to a year's notice before a closure occurs.

***Facility Closures***

Office of Mental Health

The Executive proposes expediting the process for the closure, consolidation, reduction, transfer, or redesign of State-operated Psychiatric Centers. At this time, no specific centers have been identified by the Executive for closure or for a reduction in services. In addition, the Executive proposes creating regional centers of excellence for the diagnosis and treatment of complex behavioral health illnesses. This proposal would restructure and consolidate resources and services into geographical centers.

**The Executive estimates savings of $25 million in SFY 2013-14 from these proposals,** with $5 million of these funds designated for reinvestment back into geographically comparable community services. Using the experience of the closures resulting from the SFY 2011-12 Enacted Budget, a significant restructuring of the system would have to be undertaken in order to achieve the anticipated savings. Since the specifics of restructuring have not been determined, the impact on the workforce is unknown; however, the Executive has stated that closures will be achieved without lay-offs.

Office for People with Developmental Disabilities.

The Executive proposes the continuation of the scheduled closures of the Finger Lakes Developmental Disabilities Center and the Taconic Developmental Disabilities Center by the end of 2014. The closure of these two facilities, combined with associated attrition and other efficiencies is estimated to reduce facility costs by $25.8 million, with $19.9 million being reinvested in new community residential and non-residential services to support the transition of individuals to community settings. These actions are estimated to result in net budget savings of $5.9 million. While the Executive anticipates no layoffs associated with both facility closures, a decrease of approximately 625 Full Time Equivalent positions would be achieved through attrition.

Office of Children & Family Services (OCFS)

The Executive proposes legislation to expand upon the Close to Home Initiative to include youth from counties outside of NYC who require placement in a non-secure facility. Youth from counties outside of New York City would no longer be placed in non-secure Office of Children and Family Services (OCFS) facilities. Instead they would be placed with the appropriate local commissioner of social services and receive assistance from private or not-for-profit entities. The proposal includes the closure of the four remaining OCFS non-secure youth facilities in Suffolk County (Brentwood), Dutchess County (Red Hook), Orange County (Middletown), and Tompkins County (Lansing). The closure of these four facilities will impact 168 employees.m These facilities would be vacated by the remaining non-secure youth.

Correctional Services

The Executive proposes the closure of two women's correctional facilities: Bayview (Medium) located in Manhattan and Beacon (Minimum) located in Dutchess County. The Department of Corrections and Community Supervision (DOCCS) is estimated to achieve savings of $18 million and a reduction of 430 beds within the prison system. The Executive proposal reduces the one-year closure notification requirement to 60 days to allow Bayview and Beacon facilities to close in SFY 2013-14.

The Executive proposal estimates no layoffs from this proposal as employees would have the opportunity to transfer to vacant positions within DOCCS or other agencies. The closure of these two prisons will impact 273 FTEs, (Bayview 164 and Beacon 109). The Executive has stated that the closure of these two facilities is necessary because they are the least efficient facilities within the prison system. According to the Executive, the total staff costs per inmate are $74,385 at Bayview, and $69,863 at Beacon. This compares to a benchmark of $34,193 for the most efficient facilities. In should be noted that Bayview has been evacuated due to Superstorm Sandy and remains vacant

***Mergers / Consolidations***

Office of Welfare Inspector General into Office of Inspector General

The Executive proposes merging the Office of the Welfare Inspector General into the Office of the State Inspector General. The proposal adds local social services districts (and contractees or recipients of public assistance services) to the list of covered agencies under the jurisdiction of the Office of the State Inspector General (OIG). It also authorizes the OIG to recommend remedial actions against agencies administering or supporting Department of Family Assistance (DFY) programs; requires any officer or employee of any agency administering or supporting any program of DFY to answer questions of the OIG concerning any matter related to the performance of his or her official duties; and authorizes the OIG to monitor the implementation of DFY programs. All appropriations (SFY 2012-13 $1.52 million) and staff (four full time positions) of OWIG are transferred to OIG.

Governor's Office of Employee Relations (GORR) and the Department of Civil Service

The Executive proposal includes the merger of GORR with the Civil Service Department to create a single Workforce Development Center. The goal is to combine the recruitment and training efforts of both agencies to improve government efficiencies.

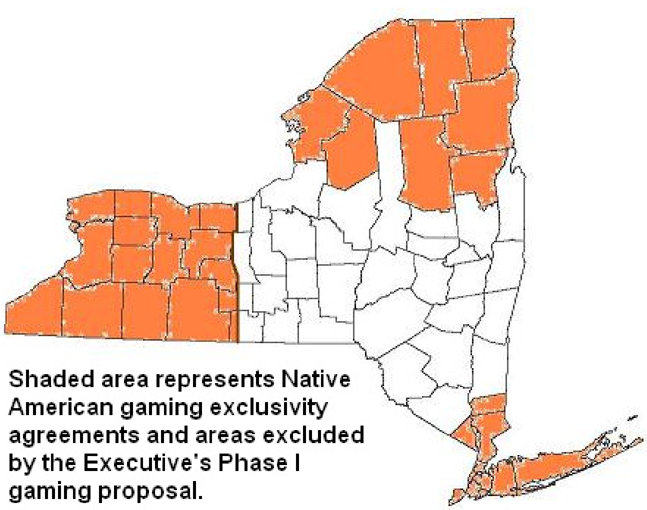
## ***Other Consolidations to Improve Government***

- Transfer Homeless Housing Assistance Program from OTDA to Homes and Community Renewal to provide affordable housing developers a one single point of contact
- Coordinate and Consolidate Lab functions for Department of Health, Agriculture and Markets, Environmental Conservation, Office of Persons with Developmental Disabilities and Office of Mental Hygiene.
- Combine back office functions of state agencies such as a reduction in the number of print shops from 24 to nine, a 63 percent reduction, and the consolidation of warehouse functions.

# CONSTITUTIONAL GAMING AMENDMENT & ENABLING LEGISLATION

***Executive Proposal***

The Executive Budget proposes enabling legislation, referred to as "phase one" which would authorize three non-Native American Casinos in New York State excluding New York City and the counties of Nassau, Putnam, Rockland, Suffolk and Westchester.




The Executive's stated purpose in excluding these localities is to ensure that "phase one" casinos help drive economic development and tourism in Upstate New York. The proposal also creates an Office of Casino Gambling, within the Gaming Commission, to regulate the three Casinos. **The Gaming Commission would pick the locations of the three casinos in consultation with local governments who must have "significant" support for both the casino and it's operator.** The Commission would conduct a study on how best to tax, regulate and attract capital investment to these casinos. "Phase One" is expected to generate $150 million beginning in 2015. **Ninety percent of the revenues derived from this gaming plan will be dedicated to secondary and elementary education and ten percent to local property tax relief.**

The Executive's "phase one" proposal would only impact a small region of Upstate New York because gaming exclusivity agreements with Native American tribes exempt much of Western New York (Seneca Indian Nation) and the North Country (St. Regis Mohawk). This leaves a smaller geographic area that already has four video lottery operators along with Oneida Turning Stone Resort Casino. It is also unclear whether the legislation would create Casinos at the existing video lottery operations at harness tracks or seek to build brand new facilities that would compete with these existing entities

The two largest video lottery operators, Empire City Casino at Yonkers Raceway and Resorts World Casino in New York, would be excluded under this proposal because they are in counties outside the geographic area of the Executives "phase one" casino proposal. Excluding the largest, most densely populated center (the New York metropolitan area) could make the economics of major casino investment more uncertain during the "phase one" period as major investors would seek specifics on the process and location of the four remaining casinos.

***Constitutional Amendment***

With the first passage of a Constitutional Gaming Amendment in March 2012, New York

State began the legislative process of legalizing commercial Class III[1] casino gaming in the State. The Constitutional Amendment would authorize "casino gambling at no more than seven facilities as authorized and prescribed by the legislature" and requires second passage by the Legislature in 2013 or 2014 before being placed on a statewide referendum in the subsequent or following November election.

If approved by New York State voters, the amendment would become law and the State may begin implementing Casino gaming as early as the January following the referendums approval by the voters. In addition to the first passage of the Constitutional Amendment, the Legislature also created a new racing and gaming regulatory entity called the New York State Gaming Commission.

The SFY 2012-13 Budget included legislation creating the Gaming Commission merging the New York State Division of Lottery and the New York State Racing and Wagering Board into a single entity. The merger takes effect on February 1, 2013 and will function as the regulatory body that oversees all gaming in New York State.

***Recent Gaming Activity in Other States***

Many state governments around the country are looking to expand gaming as a way to generate revenues and economic development within their respective state borders. In November of 2011, Massachusetts signed an expanded gaming bill into law and in November 2012, voters in Maryland approved legislation expanding their gaming laws to include dice and table games. The Florida Legislature is contemplating a casino gaming expansion bill in hopes of generating economic development. Pennsylvania and New Jersey already have Class III gaming or full casino gaming and Connecticut allows two Native American tribes to conduct Class III gaming on their tribal land. Vermont is the only state bordering New York that has not adopted any form of Casino Gambling.

***Tribal State Compact***

Within New York State's border, The Seneca Nation of Indians, the Oneida Indian Nation of New York and the St. Regis Mohawk Tribe all operate Class III or Class II gaming facilities on tribal lands pursuant to the Federal Indian Gaming Regulatory Act and subsequent passage of the Tribal State Compact. The Tribal State Compact is an agreement between the State and Native American Tribes that allows them to conduct Class III gaming on tribal lands. In the Compact, Native American Tribes agree to share 25 percent of the net drop (profit) from slot machines with the State in exchange for the exclusive privilege to operate Class III Gaming (exclusivity) within a defined area surrounding the Casino. Unlike the others, the Oneida Indian Nation of New York's 1993 gaming compact with State does not include a revenue sharing agreement with the State. The State then disburses 25 percent of its Tribal State Compact revenue to local governments that provide services to the Indian gaming casinos.

The Seneca Nation of Indians zone of exclusivity is any land in New York State that is west of a border from Sodus Point, following route 14 down to the Pennsylvania border. The St. Regis Mohawk Tribes exclusivity zone encompasses the eight counties of Franklin, Clinton, Essex, Hamilton, Jefferson, Lewis, St. Lawrence and Warren counties. **The Seneca Nation of Indians and the St. Regis Mohawk**

[1] The Indian Gaming Regulatory Act does not clearly define Class III Gaming. The term "class III gaming" means all forms of gaming that are not class I gaming or class II gaming. Class I and II are more clearly limited. Class I games are traditional Indian tribal games, which are not regulated by IGRA; Class II gaming includes bingo, pull tabs punch boards, tip jars, instant bingo and any non-banked card game, in which players play each other rather than the house or a "banker." Class II specifically excludes any game of chance, slot machines or electronic facsimiles of such games, most commonly baccarat, craps, roulette, blackjack.

**Tribe are currently withholding payments to the State due to an arbitration dispute over the exclusivity provisions in the Tribal State Compact.**

| New York State Native American Gaming | |
|---|---|
| **Description** | **Class** |
| St. Regis Mohawk Tribe | |
| Akwesasne Mowhawk Casino (Akwesasne, NY) | Class III |
| Mowhawk Bingo Palace (Hogansburg, NY) | Class II |
| Oneida Indian Nation of New York | |
| Oneida Turning Stone Resort Casino (Verona, NY) | Class III |
| Seneca Nation of Indians | |
| Seneca Allegany Casino & Hotel (Salamanca, NY) | Class III |
| Seneca Buffalo Creek Casino (Buffalo, NY) | Class III |
| Seneca Gaming & Entertainment (Irving, NY) | Class II |
| Seneca Gaming & Entertainment (Salamanca, NY) | Class II |
| Seneca Niagara (Niagara Falls, NY) | Class III |

## *Video Lottery Terminals*

The State allows all seven harness tracks and one thoroughbred track to operate approximately 12,500 Video Lottery Terminals (VLTs) at Video Lottery Gaming (VLG) facilities located on those race facilities. The NYS Gaming Commission owns and operates the VLTs used at the VLG facilities. All State revenue derived goes to pay for the regulation of the VLTs and VLG facilities and to state support for schools. The tracks are also allowed to keep a commission for operating the VLG facility. The names and locations of the facilities, the amount of machines at each facility, the statutory commission percentages paid to each facility operator and the total net win can be found in the VLG Facility Commission Rate chart at the end of this section.

| New York State<br>Video Lottery Gaming Facilities Commission Rates | | | |
|---|---|---|---|
| **Video Lottery Gaming Facility** | **Total VLTs*** | **Vendor Commission**** | **Net Win*** (thousands)** |
| Batavia Downs Casino (Batavia, NY) | 640 | 35% | $36,390 |
| Finger Lakes Casino and Raceway (Farmington, NY) | 1,199 | 31% | $106,490 |
| Empire City Casino at Yonkers Raceway (Yonkers, NY) | 4,968 | 30% | $442,476 |
| Hamburg Casino at the Fairgrounds (Hamburg, NY) | 940 | 41% | $67,019 |
| Monticello Casino and Raceway (Monticello, NY) | 1,110 | 41% | $53,221 |
| Resorts World Casino, New York City (Queens, NY) | 5,005 | 38% | $559,959 |
| Saratoga Gaming and Raceway (Saratoga Springs, NY) | 1,782 | 31% | $131,548 |
| Tioga Downs Casino (Nichols, NY) | 802 | 39% | $50,046 |
| Vernon Downs Casino and Hotel (Vernon, NY) | 767 | 35% | $36,390 |
| **TOTAL** | 17,213 | 36% | $1,483,539 |

*** The amount of Video Lottery Terminals (VLTs) at each facility as of the week ending 1-19-13**
**** The commission includes payments to the VLG facility operator and the 8.75 percent payment to horse race purses (7 percent SFY 2012-13 and 7.5 annually after), 1.25 percent to the breeders fund (1.25 percent SFY 2012-13 and 1.5 annually after). Resorts World Casinos commission also includes 3 percent to NYRA Racing Operations and 4 percent to NYRA Capital**
***** Net Win (Profit) as of the week ending 1-19-13 for SFY 2012-13**

# EXPIRING TAXES RENEWED, NEW SURCHARGES AND FEES PROPOSED

The Executive has stated that the SFY 2013-14 Executive Budget contains no new taxes. However, there is plenty of new revenue derived from a variety of sources including: taxes scheduled to expire that are renewed, assessments, fees, sweeping fund balances and tax increases.

***Renew the 18-a Surcharge***
(SFY 2013-14 $236 million;
SFY 2014-15 $472 million)
The Executive is proposing to extend the "Temporary State Energy and Utility Service Conservation Assessment (section 18-a of the Public Service Law) for five years until March 31, 2019. Because of the timing when affected companies pay the surcharge, adoption of this proposed extension will raise State revenues by **$236 million** in SFY 2013-14 and an estimated **$472 million** each of the following State fiscal years.

The Department of Public Service and energy and communications related activities of other State agencies traditionally have been funded by an assessment upon the State's private energy, water and telephone companies at a rate of one-third of one percent of adjusted gross revenues at a total of averaging approximately $120 million per year. In April 2009, a temporary surcharge of one and two-thirds percent was added to the 18-a assessment on all utilities except communications firms. The nearly $600 million raised was used for General Fund spending initiatives.

***Extending Expiring Taxes***
The Executive Budget extends two taxes which were scheduled to sunset:

Limitation on Itemized Deduction for Charitable Contributions
(SFY 2013-14 $70 million;
SFY 2014-15 $140 million)
The Executive proposes extending the limitation on itemized deductions for charitable contributions for those taxpayers with incomes in excess of ten million dollars. Those taxpayers could claim only 25 percent of the charitable contributions. The 25 percent limitation, enacted in 2009, was only temporary and expired on December 31, 2012 – the Executive Budget would extend this tax increase for three years until December 31, 2015.

Metropolitan Transportation Authority (MTA) Business Tax Surcharge
(SFY 2013-14 $957 million;
SFY 2014-15 $957 million)
The Executive proposes extending the 17 percent MTA business tax surcharge for five years. The temporary tax 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. This tax is scheduled to sunset for taxable years ending on or before December 31, 2013.

***Make the $2.50 per tire recycling fee permanent:***
(SFY 2013-14 $9 million;
SFY 2014-15 $24 million)
The tire recycling fee is scheduled to sunset on March 31, 2013 – the Executive Budget proposes making it permanent. The fee was first enacted in 2003 to provide a source of funds to remove the public health threats presented by the illegal or insufficiently regulated dumping of used tires in New York State. In addition, the fee proceeds were designated to incentivize businesses to create and market products utilizing recycled tire products. The fee brings in revenues of **approximately $24 million a year**. In recent years the tire fund proceeds have not entirely been used to support local governments in tire eradication efforts, nor have they provided support to new businesses utilizing these recycled materials; in many years between $6 million and $8 million of the proceeds have been swept the General Fund.

***State Insurance Fund (SIF) Sweep***
(SFY 2013-14 $2 billion)
The Executive Budget would change the method of calculating reserves from a liability basis to a pay-as-you-go basis. According to the Executive, this eliminates the need for the assessment based reserve, which would transfer $2 billion from the SIF to the Workers' Compensation Board and other funds. The Executive proposes to use the reserves as follows:

- Annual deposits into the Debt Reduction Reserve in the amount of $250 million for FY 2014, $500 million for FY 2015, and $250 million for FY 2016 and FY 2017;
- $500 million would be used for long term capital projects that would otherwise have to be debt financed; and,
- The remaining reserves would be used to temporarily keep Workers' Compensation rates down and to finance unspecified spending initiatives.

***Taste-NY License Fee***
(SFY 2013-14 $2,500;
SFY 2014-15 $2,500)
The Executive Budget proposes creating the Taste-NY program which would establish retail facilities to promote New York products, including alcoholic beverages through the use of a sales tax exemption.

There will be **a $500 license fee** to operate a Taste-NY facility. These retail facilities would be established at facilities owned by the State or one of its authorities, such as the Port Authority, the Metropolitan Transportation Authority, or the Thruway Authority and it is envisioned that these stores would predominantly sell New York products. Although the legislation simply states that the facility "prominently features products produced within the state." Sales of products from outside the state would also be exempt. All of the products sold at these venues that have a retail price of less than $200 would be exempt from state and local sales tax.

The Executive anticipates creating five retail facilities in SFY 2013-14, although the legislation does not impose a limit on the number that can be established. Businesses would contract with the State to operate the facilities but, there are many other details of the program that are unclear.

***Royalty Payments***
(SFY 2013-14 $0;
SFY 2014-15 $28 million)
The Executive proposes changing the exclusion and addback rules that pertain to royalty payments between businesses that are "related members" (one company has ownership rights in the other). Currently, if a royalty payment is made between related members, the receiver of the royalty payment can exclude this payment from income if the payer of the royalty payment is a New York taxpayer. The proposal would change these rules so that the receiver of the royalty payment must addback the royalty payment to their entire net income if they cannot

show clear and convincing evidence that the payment was made for a valid business purpose and that the payer was also subject to tax in another taxing jurisdiction; and that effective rate of tax in the other jurisdictions equals 80 percent of the rate of tax they paid in New York.

***IDA Sales Tax Exemptions***
(SFY 2013-14 $7 million;
SFY 2014-15 $13 million)
The Executive proposes **limiting** the types of businesses to which Industrial Development Agencies (IDAs) can provide **exemptions from the state sales tax** to only those types of businesses that are eligible for the Excelsior Jobs Tax Credit Program.

These businesses include: scientific research and development, software development, agriculture, manufacturing, back office firms, and distribution firms. In addition, the IDAs would have to create a plan of the project and have it approved by the Empire State Development Corporation. The project would also have to be approved by the regional economic development council.

Currently, the IDAs provide the sales tax exemption to a project developer through the issuance of an exemption certificate. The Executive proposal would eliminate this ability and, instead, the project developer would have to apply for a refund or credit of sales taxes paid with the Tax Department. In addition, if the project was not developed or it did not meet its economic or job creation goals, the State would be able to recapture the sales tax. This proposal would **increase taxes by $7 million** in SFY 2013-14.

***Plea Bargain Surcharge***
(SFY 2013-14 $16 million;
SFY 2014-15 $25 million)
Amends the way traffic adjudication cases are handled by: restricting plea bargaining in cases that involve 20 miles over the posted speed limit, except in circumstances documented by the court; and **authorizes the imposition of $80 in State surcharges** on parking violations where drivers are allowed to plea bargain in certain cases. In addition, this proposal sets a minimum fine of $50 on cell phone or texting violations in the first offense and increased fines for subsequent violations.

***Utility Company Fines***
(SFY 2013-14 $190,000;
SFY 2014-15 $190,000)
The Executive is proposing legislation to implement major portions of the recommendations of the Moreland Commission that reported its findings on January 3, 2013, including several penalty and fine increases. The Moreland Commission recommended, and the Executive has introduced legislation to:

- Allow the Public Service Commission (PSC) to administratively impose and recover civil penalties against the officers and corporate entities of energy utilities in operating in the State for alleged violations of their public charters. These penalties could be imposed despite any knowing actions or even awareness of a problem of the company or its officers regarding inadequate service provisions.
- Each utility would be required to conduct a full scale management and operations audit conducted by non-related full service accounting firm selected by the PSC of the utility's internal and external organizational structures and operations once every five years. Failure to implement the recommendations of the audit without the expressed approval of the PSC could result in a forfeiture of certain assets of the utility in the State, or in extreme cases, the loss of a firm's franchise and warrant to operate in a designated territory in the State or in the State as a whole.
- Finally, civil penalties for violations of the one-call procedures for underground operations would be increased. These increased fines are estimated to produce an additional $190,000 a year to the State. In addition, the provisions of the one-call program would be expanded to cover operations related to high volume horizontal hydro-fracking if such activity is authorized in the State.

# MINIMUM WAGE

The Executive proposes to increase New York State's statutory minimum wage from $7.25 to $8.75 per hour. In addition, the hourly wage for food service workers would increase from $5.00 per hour to $6.03 per hour. These minimum wage rates would be permanently fixed in statute. Both increases would be effective July 1, 2013 and accrue in one installment.

The minimum wage in New York is indexed to the Federal minimum wage of $7.25 per hour. Any increase in the Federal minimum wage will result in a corresponding increase to the New York State minimum wage. The Federal minimum wage was last increased in 2009 from $6.55 per hour to the current $7.25 per hour.

Of the fifty states, twenty-one states, including New York, have a minimum wage equal to the Federal minimum wage. Nineteen states have a minimum wage above the Federal level, four have a minimum wage below the Federal level and six do not have a minimum wage law.

***Demographics***

According to the most recent data from the U.S. Bureau of Labor Statistics in 2011: 199,000 New York residents were earning at or below the minimum wage. This equates to 5.2 percent of all workers paid an hourly rate.

Minimum wage workers comprise only 2.1 percent of New York's workforce. Of all the minimum wage workers, approximately half are between the ages of 16 and 24. In addition, 21.8 percent of all minimum wage workers are married and 28 percent of them work full time.

***Business Impact***

An increase in the minimum wage to $8.75 per hour would increase the cost of doing business in New York by an additional $3,360 per full time employee (FTE). Total annual costs for businesses that pay the minimum wage would increase by $417.1 million. This is comprised of an increased wage cost of $3,120 and increased payroll taxes of $239 per FTE.

In addition to increasing the wages on workers currently earning minimum wage, an increase in the minimum wage threshold would result in commensurate increases for those workers whose wages are currently above the minimum wage but below the proposed threshold. This would result in approximately $100 million in additional costs to businesses, above the $417.1 million.

An increase in the minimum wage can have macroeconomic implications. An employer faced with raising the minimum wage has the following options:

- The firm can absorb the higher labor cost by keeping its prices steady and accepting a lower profit level. This occurs when demand is relatively elastic (in other words an increase in price results in a decrease in demand).
- The firm can attempt to pass on all or a portion of the higher costs by raising the price of its products. This occurs when demand is relatively

inelastic (a change in price does not result in a significant change in demand).
- The firm could decide that the cost of doing business is too high and respond by curtailing plans for growth and future capital purchases or by laying off workers.

The degree that upward movement in the price floor (the minimum wage) impacts the current price equilibrium for labor (i.e. the rate the market is willing to pay for labor in the absence of a price floor) determines the extent to which an increase in the minimum wage impacts job creation. These estimates are based on economic analysis and are somewhat subjective.

A minimum wage increase would disproportionately impact small businesses. It is estimated that 70 percent of the job losses would come from businesses with less than 500 employees. Although only 2.1 percent of New York's workforce earn the minimum wage, many of those employees work for small businesses.

***Worker Impact***

An increase in the minimum wage would increase a worker's federal and state tax liability as well as diminish the benefit realized through the federal and state earned income tax credit (EITC). For example, the total impact on a family of four consisting of two minimum wage earners would be $1,979, broken down as follows:

- $477 in additional federal payroll taxes,
- $267 in additional New York personal income taxes,
- $1,317 less in federal earned income credits, and
- $395 less in New York earned income tax credits

Although the minimum wage increase would equal $6,240 in gross income for the family of four, the net gain would actually be $4,261 ($6,240-$1,979).

The Federal Fair Labor Standards Act (FLSA) allows employers to pay a person under 20 years of age, a minimum wage of not less than $4.25 per hour during the first consecutive 90 calendar days of employment. New York State does not currently have youth or training wage. Further detail regarding the implementation and effectiveness of the youth wage is pending.

The following table shows the minimum wage levels for all 50 states.

| State | Minimum Wage | Indexed to Federal Minimum Wage |
|---|---|---|
| Georgia | $5.15 | |
| Wyoming | $5.15 | |
| Minnesota | $6.15 | |
| Arkansas | $6.25 | |
| Delaware | $7.25 | yes |
| Hawaii | $7.25 | |
| Idaho | $7.25 | |
| Indiana | $7.25 | yes |
| Iowa | $7.25 | yes |
| Kansas | $7.25 | |
| Kentucky | $7.25 | yes |
| Maryland | $7.25 | yes |
| Nebraska | $7.25 | |
| New Jersey | $7.25 | |
| **New York** | **$7.25** | **yes** |
| North Carolina | $7.25 | |
| North Dakota | $7.25 | |
| Oklahoma | $7.25 | |
| Pennsylvania | $7.25 | |
| South Dakota | $7.25 | |
| Texas | $7.25 | |
| Utah | $7.25 | |
| Virginia | $7.25 | |
| West Virginia | $7.25 | yes |
| Wisconsin | $7.25 | |
| Missouri | $7.35 | |
| Michigan | $7.40 | |
| Maine | $7.50 | yes |
| New Mexico | $7.50 | |
| Alaska | $7.75 | |
| Rhode Island | $7.75 | |
| Colorado | $7.78 | |
| Florida | $7.79 | |
| Arizona | $7.80 | |
| Montana | $7.80 | |
| Ohio | $7.85 | |
| California | $8.00 | |
| Massachusetts | $8.00 | yes |
| Connecticut | $8.25 | yes |
| Illinois | $8.25 | |
| Nevada | $8.25 | |
| Vermont | $8.60 | yes |
| Oregon | $8.95 | |
| Washington | $9.19 | |
| Alabama | none | |
| Louisiana | none | |
| Mississippi | none | |
| New Hampshire* | none | yes |
| South Carolina | none | |
| Tennessee | none | |

**State minimum wage repelaed in 2011*

# WORKERS' COMPENSATION REFORM

The Executive Budget proposes reforms to the Workers' Compensation program that are intended to reduce costs to businesses, increase overall solvency and facilitate the settlement of approximately $900 million in potential liabilities associated with Group Self Insured Trusts (GSITs).

***Single Arbitrator Panels.*** Under current law, when both parties fail to agree on the value of a medical or other health related service that was rendered, the value of the service in question is determined through an arbitration committee (two or more members licensed to practice in the profession pertaining to the service provided). This proposal introduces single arbitrator panels which would be required for liabilities of less than $1,000 and be at the option of the provider for liabilities exceeding $1,000.

***Pass Through Assessments.*** The purpose of this provision is to allow carriers to directly charge customers the exact amount in assessments owed to the Workers' Compensation Board. Further detail on the impact of this proposal on the current assessment methodology is pending from the Board.

***Close The Reopened Case Fund.*** The Reopened Case Fund will be closed effective January 1, 2014; however, a provision is included that allows the Workers' Compensation Board to make a finding after such date if an appeal for an existing case was filed in a timely manner.

The reopened case fund provides payments directly to claimants and health providers when the claimants case is reopened. The original intent of the fund was to provide carriers relief in circumstances where liability unexpectedly arises after a case has been closed for many years. The Executive asserts that closing this fund would significantly reduce assessments on businesses. Details regarding the specific amount of annual liabilities are pending.

***Aggregate Trust Fund (ATF).*** The intent of the ATF was to protect a claimant in the event a carrier defaulted in its payments. The Executive proposes to eliminate mandatory deposits that are required of Workers' Compensation insurance carriers, the self insured and the SIF, and to shift the responsibility of the ATF to the Workers' Compensation Guarantee Fund. Further details regarding expenditures from the fund are pending.

***Group Self Insured Trusts (GSITs).*** The Executive Budget contains a provision that would allow the remaining GSITs to maintain custody of reserves required to pay claims pursuant to §50 (3) of the Workers' Compensation Law by depositing them into a trust fund that allows them to invest and generate returns on the reserve balances.

The Executive proposal would establish a program to authorize the issuance of bonds to finance loss portfolio transfers (LPTs) as a means of settling approximately $900 million in outstanding GSIT liabilities. The bonds would be issued by the New York State Dormitory Authority and backed by a new Workers' Compensation assessment on solvent self insurers. These bonds would provide cash to pay claims for defaulted GSITs.

***<u>State Insurance Fund (SIF)</u>*** The Executive Budget would change the method of calculating reserves from a liability basis to a pay-as-you-go basis. According to the Executive, this eliminates the need for the assessment based reserve. Hence, the Executive proposes to transfer $2 billion in reserves from the SIF to the Workers' Compensation Board as follows:

- Annual deposits into the Debt Reduction Reserve in the amount of $250 million for FY 2014, $500 million for FY 2015, and $250 million for FY 2016 and FY 2017;
- $500 million would be used to fund pay-as-you-go long term capital projects that would otherwise have to be debt financed; and,
- The remaining reserves would be used to temporarily keep Workers' Compensation rates down and to finance unspecified spending initiatives.

***<u>Management of the Special Disability Fund</u>*** This provision expands the powers of the Workers' Compensation Board as follows:

- The scope of authority to collect assessments finance claims against the Special Disability Fund is expanded to include all affected employers as opposed to self-insurers, the state insurance fund and carriers. However, the nature of the assessment is changed from 150 percent of disbursements during the **preceding year** to 150 percent of expected disbursements during the **current year less the estimated amount of net assets expected to be in the fund by the end of the year.** This amount is included in the administrative assessment established pursuant to section 151 of the Workers' Compensation Law.
- Expands the scope of the Workers' Compensation Board's authority to conduct audits from being limited to self insurers, insurance carriers and the SIF to having audit authority over all employers. Also the scope of the audits is expanded from conducting audits of special disability fund financing agreements to having the authority to conduct audits of any matter falling under the Workers' Compensation Law.

***<u>Minimum Compensation Benefit</u>*** This provision would increase the minimum weekly payment to claimants from $100 per week to $150. The last time the minimum weekly payment was increased was July 2007 when it was increased from $40 to $100.

The maximum benefit is currently two thirds of the New York State average weekly wage for the year.

***<u>Miscellaneous Provisions</u>*** The Executive proposal repeals and reconstitutes §151 of the Workers' Compensation law which delineates the Board's authority to collect it's administrative expenses through an assessment on employers. This provision appears to consolidate existing fees and surcharges but the entirety of its implications are undetermined.

# UNEMPLOYMENT INSURANCE REFORM

The Executive Budget proposes changes to the **Unemployment Insurance (UI)** program that would retire the deficit in the UI Benefit Trust early, increase the weekly benefit, and institute changes that the Executive believes will stabilize the overall system. The full text of this Article VII proposal can be found in the Education and Family Assistance Bill, Part O (S.2607).

***UI Deficit.*** New York State currently has a $3.5 billion deficit in the UI Benefit Trust. This results from paying out more in claims than is taken in through the New York State UI Tax (SUTA). When the UI trust runs a deficit, New York State must borrow money from the Federal government, which in turn charges the State interest. That cost of the interest is passed along by the State to businesses through the Interest Assessment Surcharge (IAS). The Federal government also institutes a protocol to recover its principal directly from businesses.

Interest Assessment Surcharge (IAS). The IAS is an additional charge to employers when the UI Trust runs a deficit. The amount of the assessment that was due September 30, 2012, was $102 million. The SFY 2013-14 Executive Budget contains an IAS appropriation for $125 million, however the actual cash assessment is expected to be less than the full appropriation.

Federal Unemployment Tax Act (FUTA) Credit. In addition to being assessed for unemployment insurance through the State Unemployment Tax Act (SUTA), the Federal government charges a FUTA tax to cover its administrative costs. The full amount of the tax is six percent of the taxable wage base (discussed under "Modify Wage Base"). Businesses that pay their UI assessments in a timely manner receive a credit of 5.4 percent, which makes the effective FUTA rate .6 percent. When the UI Trust runs a deficit for two consecutive years, the Federal government incrementally reduces this credit each year by .3 percent until the principal is fully recovered. Reductions in the FUTA credit translate into higher costs for businesses.

Modify Wage Base. The SUTA and FUTA is assessed on a per employee basis against the first $8,500 of wages paid (referred to as the "base"). The Executive proposes to increase the base from $8,500 to $10,300, effective January 2014 and increase the base annually in $200 increments until January 2026, at which time the base calculation methodology changes to sixteen percent of the State's average annual wage as determined by the Commissioner of Labor.

According to the Department of Labor's website, the State's average weekly wage for 2011 is approximately $1,200. This translates into an average annual wage of $62,400, sixteen percent of which would be approximately $10,000.

The table below shows the impact of an increased wage base on an employer with varying FTE, all of whom earn $55,000 per year and are assessed the SUTA at the new employer rate for New York, which is **3.4 percent**.

| | Wage Base | | |
|---|---|---|---|
| FTE | $8,500 | $10,300 | $10,500 |
| 20 | $5,780 | $7,004 | $7,140 |
| 50 | $14,450 | $17,510 | $17,850 |
| 100 | $28,900 | $35,020 | $35,700 |

The proposed methodology is troublesome because it gives the Executive an administrative tool to indirectly increase taxes on businesses.

Retire Deficit. The Executive asserts, adoption of the increased wage base and other measures will eliminate the UI Trust deficit of $3.5 billion in SFY 2015-16 as opposed to SFY 2017-18. This will generate a savings to employers derived from full restoration of the FUTA credit and the elimination of the Interest Assessment Surcharge. The amount of this savings has not been disclosed by the Executive.

***Increase maximum benefit to workers.***

The Executive Budget proposes to increase the maximum weekly UI benefit from $405 to $420. There would be subsequent annual increases through 2018, at which time the weekly benefit would be incrementally adjusted to 50 percent of the average weekly wage. The proposal would also increase the minimum benefit from $65 to $100 without subsequent increases built in.

| Date | Maximum Weekly Benefit |
|---|---|
| 2015 | $425 |
| 2016 | $430 |
| 2017 | $435 |
| 2018 | $450 |
| 2019 | 36 percent of average weekly wage |
| 2020 | 38 percent of average weekly wage |
| 2021 | 40 percent of average weekly wage |
| 2022 | 42 percent of average weekly wage |
| 2023 | 44 percent of average weekly wage |
| 2024 | 46 percent of average weekly wage |
| 2025 | 48 percent of average weekly wage |
| 2026 | 50 percent of average weekly wage |

The legislation also provides that the UI benefit shall not be increased in any year that the balance is not available in the Fund to pay for the increase or if the Commissioner of Labor determines that the State has had a decrease in private sector jobs in each month of the first two calendar quarters of the year in which the increase is scheduled to occur.

The legislation prohibits the maximum benefit from being reduced in any subsequent year.

***Encourage UI recipients to actively seek work.***

The Executive Budget includes a requirement that a claimant must be engaged in the systematic search for employment and must contact at least two employers each week to be eligible for UI benefits.

***Other provisions.***

Dismissal Pay. This provision prohibits the use of any day in which a claimant is deemed to receive dismissal pay from being counted as a day of unemployment. Dismissal pay is defined as payments from employers upon termination such as severance packages but exclude things like accrued vacation and sick leave. Dismissal period is defined as a period of time designated in an employment contract or collective bargaining agreement. If no period is specified the dismissal period is calculated based on the amount of the severance package divided by the employees weekly rate of pay.

The minimum threshold for earned remuneration upon voluntary separation is increased from five times the weekly benefit rate to ten times the weekly benefit rate.

The threshold for having to accept essentially any job offered that pays at least 80 percent of the wages previously earned in the highest calendar quarter is reduced from 13 to 10 weeks.

Language is included that requires the Commissioner of Labor to issue a determination within ten days of notification that an employer is being charged for an employee that separated voluntarily or was terminated for misconduct.

There are also provisions for the reduction and recovery of benefits for willful false statements or the omission of information by claimants.

Claimants would be required to refund overpayments and pay a fine equal to the greater of $100 or 15 percent of benefits overpaid.

# WORKFORCE UPDATE

The SFY 2013-14 Executive Budget proposes a net All Funds workforce reduction of 127 full time equivalent (FTE) positions, reflecting a decrease from 180,565 to 180,438 positions. This decrease is net of 8,864 vacancies offset by 8,737 new fills. The reduction is realized through attrition. **There are no layoffs.**

***Major Workforce Changes***

Office of Children and Family Services (OCFS). The Executive anticipates a net staffing decrease of 575 FTEs, from 3,263 to 2,688 positions. This reflects the continued closing and downsizing of youth facilities (-282 FTEs); downsizing of youth facilities associated with the proposed expansion of the Close to Home Initiative (-168 FTEs); the transfer of staff to the Justice Center for the Protection of People with Special Needs (-200 FTEs); additional staff for program improvements at the remaining youth facilities (+50 FTEs); and additional staff for the Statewide Central Register (+25 FTEs).

Office for People With Developmental Disabilities (OPWDD). The Executive anticipates a net workforce reduction at OPWDD of 1,249 FTE. This includes a reduction of 625 FTE from the closure of two facilities and a further reduction of 621 FTE in other areas. These reductions are all realized through attrition. OPWDD is also transferring three FTE to the Office of General Services as part of the strategic sourcing initiative.

Separately, 184 FTE in technology related positions were transferred to the Office of Information Technology Services (OITS) in FY 2013.

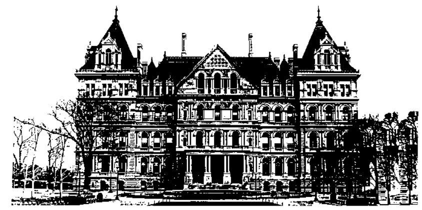
Department of Corrections (DOCS). The closure of Bayview and Beacon correctional facilities will affect 273 FTEs (Bayview 164 FTEs; Beacon 109 FTEs). These positions are displaced workers who will be absorbed into other existing positions in DOCS.

Department of Health (DOH). DOH has a net increase of 385 FTE, which reflects 250 FTE being transferred to DOH from local governments throughout the State. This is the result of the State takeover of Medicaid administration. DOH is also accepting an additional 98 FTE associated with transferring the Health Insurance Exchange to DOH.

In FY 2013, 275 FTE were transferred to OITS to support enterprise level technology projects.

Office of Mental Health (OMH). OMH has a net All Funds FTE increase of 127 positions. Facility closures and realignments at OMH and OCFS closures are expected to affect 1,172 positions. An estimated 704 positions will be eliminated through attrition. The remaining 468 employees will be placed in other positions in the State workforce through an Agency Reduction Transfer List (ARTL).

The overall trend in the State workforce is to centralize administrative functions in large support agencies such as OGS and OITS. In November 2012, 3,342 employees (primarily technology related) were transferred to OITS from other agencies.



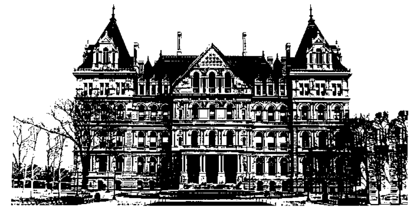
# SECTION THREE

## SUMMARY OF ARTICLE VII
## LEGISLATION

# 2013 Joint Legislative Hearing Schedule

| | | | | |
|---|---|---|---|---|
| January 28 | Hearing Room B | 9:30 AM | Local Government Officials/ General Government | Clinton Freeman (518)455-5491 |
| January 29 | Hearing Room B | 10:00 AM | Elementary & Secondary Education | Clinton Freeman (518)455-5491 |
| January 30 | Hearing Room B | 10:00 AM | Health/Medicaid | Dottie Pohlid (518)455-3511 |
| January 31 | Hearing Room B | 10:00 AM | Transportation | Clinton Freeman (518)455-5491 |
| February 4 | Hearing Room B | 9:30AM | Environmental Conservation | Dottie Pohlid (518)455-3511 |
| February 5 | Hearing Room B | 9:30AM | Housing | Clinton Freeman (518)455-5491 |
| February 5 | Hearing Room B | 1:00 PM | Human Services | Clinton Freeman (518)455-5491 |
| February 6 | Hearing Room B | 10:00 AM | Public Protection | Dottie Pohlid (518)455-3511 |
| February 11 | Hearing Room B | 9:30 AM | Higher Education | Clinton Freeman (518)455-5491 |
| February 12 | Hearing Room B | 9:30 AM | Taxes | Clinton Freeman (518)455-5491 |
| February 12 | Hearing Room B | 1:00 PM | Economic Development | Dottie Pohlid (518)455-3511 |
| February 27 | Hearing Room B | 9:30 AM | Mental Hygiene | Dottie Pohlid (518)455-3511 |
| February 27 | Hearing Room B | 1:00 PM | Workforce Development | Dottie Pohlid (518)455-3511 |

# APPENDIX



## SUMMARY OF THE IMPLEMENTING BUDGET BILLS

This appendix contains a summary of the implementing legislation submitted with, and required to enact the SFY 2013-2014 Executive Budget. The Governor's presentation consists of ten total bills, five appropriation and five article VII bills. While this section provides a brief summary and highlights the fiscal impact for each of the five article VII bills, any questions or additional information on any of the provisions contained in these bills should be addressed to the appropriate Senate Finance Committee analyst or through reference to the Executive's more complete Memorandum in Support which provides additional detail.

## 2013-2014 EXECUTIVE BUDGET BILLS

### Appropriation Bills

**S.2600/A.3000** State Operations
**S.2601/A.3001** Legislative & Judiciary
**S.2602/A.3002** State Debt Service
**S.2603/A.3003** Aid to Localities
**S.2604/A.3004** Capital Projects

### Article VII Bills

**S.2605/A.3005** Public Protection & General Government
**S.2606/A.3006** Education, Labor & Family Assistance
**S.2607/A.3007** Health & Mental Hygiene
**S.2608/A.3008** Transportation, Economic Development & Environmental Conservation
**S.2609/A.3009** Revenue

# 2013-14 NEW YORK STATE EXECUTIVE BUDGET
# PUBLIC PROTECTION AND GENERAL GOVERNMENT
# ARTICLE VII LEGISLATION
# [S.2605/A.3005]

**PART A – Authorize the Governor to close the Bayview and Beacon correctional facilities in State Fiscal Year 2013-2014 with 60 days notice.**

- Proposes to close the Bayview and Beacon correctional facilities. Bayview had been damaged by Superstorm Sandy and its 166 female inmates have already been transferred to other facilities. Beacon's closure requires the relocation of 125 female inmates to other correctional facilities. The 273 workers at both facilities will be offered transfers to vacant positions within DOCCS or other state agencies.

- Exempts the Commissioner of DOCCS from giving the required notice at least twelve months prior to closing to local governments, labor organizations, and managerial and confidential employees employed within the facility. Instead the Commissioner would provide 60 days notice to the Temporary President of the Senate and the Speaker of the Assembly. The provision further exempts the Commissioner from the requirement that 60 days prior to closure a report be prepared for an adaptive use for any facility slated for closure.

**PART B – Transfer the former Fulton Correctional Facility to the Thomas Mott Osborne Memorial Fund.**

- Proposes to transfer and convey the Fulton Correctional Facility in the Bronx to the Thomas Mott Osborne Memorial Fund, Inc.

- Saves the state approximately $215,000 annually to maintain and secure the facility, which has been vacant since 2011. Requires the lands transferred to be used for the purpose of providing opportunities for individuals in conflict with the law through reform and rehabilitation programs and for related community activities. The State of New York will regain title if the property ever ceases to be used for such purposes.

**PART C – Limit plea bargaining of traffic tickets, extend State surcharges to new offenses, and establish minimum fines for traffic violations involving texting and cell phone use.**

- Proposes that if a speed charged is more than 20 miles per hour over the authorized limit, any plea of guilty must be to a violation for which points are assigned (e.g. a moving violation). If the district attorney determines that the original charge "is not warranted" the DA may consent to, and the court may allow, another disposition. However, the court must set forth on the record the basis for that disposition. It mirrors the language set forth in §1192(10) of the Vehicle and Traffic Law, which imposes similar limitations on plea bargains when the original charge is a DWI or DWAI charge. The proposal only limits plea bargaining in relation to speeding offenses and will not limit the plea bargaining of other vehicle and traffic offenses down to parking offenses.

- Proposes to increase the fines for talking on a mobile phone or texting while driving. Presently, the fine is limited to $100, the proposal increases a first offense to no less than $50 and no more than $150; a second offense within 18 months requires a fine of $200 to $350; a third offense within 18 months must be a fine between $400 and $550.

- Proposes that dispositions in violations of §§1200, 1201 and 1202 (parking offenses) of the Vehicle and Traffic Law would be required to contain certain surcharges that are not currently imposed. Thus the proposed state surcharge would now be imposed on substantially all plea reductions to these offenses.

- Proposes that increases in surcharges under Vehicle and Traffic Law § 1809 after September 30, 2012, would be transferred annually by the Comptroller to the indigent legal services fund.

- It should be noted that restrictions on plea bargaining will impose new costs in different parts of the criminal justice system. Specifically, there will be more trials, more court time, more prosecutorial time, and more law enforcement officer time required to prosecute these matters, and the altered surcharge structure could result in a loss in revenue to localities. The Executive estimates $16 million in additional State revenues in FY 2014 and $25 million in FY 2015.

**<u>PART D</u> – Ratify the National Crime Prevention and Privacy Compact, allowing the State to participate in the National Fingerprint File program.**

- Proposes to ratify the National Crime Prevention and Privacy Compact so that New York can participate in the National Fingerprint File, which is the infrastructure that will facilitate the sharing of criminal records for non-criminal purposes and enhance the accuracy of shared documents.

- Augments New York's current use of criminal history identification information and criminal and civil fingerprint images at DCJS, which also sends New York State arrest and disposition data, as well as the associated fingerprint images to the FBI as part of the FBI's Interstate Identification Index. In 1983, New York was one of the original six pilot states to participate in the FBI's Interstate Identification Index.

- Adoption of the National Crime Prevention and Privacy Compact will allow non-criminal justice-related inquiries to be made to and answered directly by the participating states. Under the current FBI system, a requesting state contacts the FBI, which in turn supplies that state with the information provided by the participating states. Now, the states will communicate directly.

**PART E – Extend various criminal justice and public safety programs.**

- Proposes to extend for two years 16 criminal justice and correctional services provisions/programs due to expire September 1, 2013.
  - Expansion of the geographical area of employment of local law enforcement when assisting state police;
  - Alcohol and substance abuse treatment correctional annex programs;
  - Incarceration fees;
  - Parole and conditional release fees;
  - Probation fees;
  - Alternatives to incarceration programs;
  - Two sections on mandatory surcharge and crime victim assistance fees;
  - Ignition interlock device program;
  - Merit time programs;
  - Reduced inmate civil litigation filing fee;
  - Order of protection registry and mandatory arrest in cases of domestic violence;
  - Closed-circuit television for vulnerable child witness system;
  - Sentencing Reform Act of 1995;
  - Electronic court appearance program;
  - Agreements for housing inmates and federal prisoners; and
  - Armory rent.

- Proposes to make six criminal justice programs permanent:
  - Psychological testing for correction officer candidates;
  - Two related to work release and furlough programs;
  - Two related to earned eligibility programs; and
  - Interstate compact for adult offenders.

- Proposes to allow the use of community treatment facilities to expire.

**PART F – Continue provisions relating to the disposition of certain monies recovered by county district attorneys.**

- Proposes to extend for one year a program allowing District Attorneys in New York City to retain a portion of settlement recoveries prior to the filing of an accusatory instrument against a defendant. These recoveries provide the District Attorneys with additional resources to pursue investigations. The formula is based upon a cumulative amount of recoveries within a State fiscal year. The program is set to expire on March 31, 2014.

**PART G – Provide the New York State Comptroller and the New York State Teachers' Retirement System Board statutory authority to make a long-term stable pension contribution option available to local governments and school districts.**

- Provides the Comptroller or the Teachers' Retirement System (TRS) Board the ability to offer a stable contribution option to participating providers.
- Requires that if so elected, the rate for participating in the state Employees Retirement System would be fixed a 12 percent, the Police and Fire Retirement System at 18.5 percent and the Teachers' Retirement System at 12.5 percent. Allows that rates may be increased or decreased within prescribed limits.
- Requires that the term of the plan will be 25 years which may be adjusted by the Comptroller or TRS Board;
- Provides employers the ability to opt-out of the plan.

**PART H – Amend the Civil Service Law in relation to the reimbursement of Medicare premium charges.**

- Provides for the discontinuance of the reimbursement for Income Related Medicare Adjustment Amounts (IRMAA) premiums for high income retirees. New York currently reimburses retired state employees their out of pocket payments to the federal government for Medicare Part B and IRMAA premiums.
- Assumes annualized savings of $7 million.

**PART I – Create a new account to finance an Administration Program in the New York State Gaming Commission.**

- Allows for the creation of a fund for the operations of the newly created Gaming Commission. It shall receive funds from existing revenue streams and from accounts which had existed as components of the Division of the Lottery or the State Racing and Wagering Board.
- Provides that the funds shall be used for the administrative expenses of the Commission.

**PART J – Redirect a portion of purse money to fund costs associated with recommendations by the Task Force on Racehorse Health and Safety.**

- Reduces racing support payments to support racehorse health and safety from amounts currently dedicated to purses from VLT Vendor fees.
- Allows any unused portions to be returned to the purse accounts pro rata. For Aqueduct, the NYRA tracks in SFY 2013-2014 will receive 7.5% of the net machine income, and for harness tracks and Finger Lakes the current rate is 8.75% of the net machine income, unless altered by contract with the track's horsemen. The proposal reduces the percentage to 6.5% for NYRA tracks, and to 7.75% at harness tracks and Finger Lakes.

**PART K – Improve the effectiveness of the Local Government Efficiency Grant Program and the Citizens Re-Organization Empowerment Grant Program.**

- Modifies the current provisions related to the Local Government Citizens Re-organization Empowerment Grant Program. Grants are awarded for studies, plans and implementation costs associated with consolidation and dissolution. Increases the required local match amount from 10% to 50%. However, once a locality implements the consolidation or dissolution, they are eligible for a reimbursement of the local matching amounts up to 40% of the amounts paid.

- Modifies the Local Government Efficiency Grant, as of April 1, 2013, to decrease the amounts awarded for a local government efficiency planning project from $25,000 to $12,500 and the maximum grant award for the project from $200,000 to $100,000. Requires a 50% up front local match for planning grants, but these monies would be reimbursed largely by the Department of State upon execution of the plan.

**PART L – Eliminate burdensome reporting requirements imposed on school districts and local governments.**

- Allows every reporting requirement to a state agency or authority under state statute or regulation that a local government or school district is currently subject, to expire on April 1, 2014, unless such reporting requirement is approved for continuation by the mandate relief council.

**PART M – Sweeps and Transfers**

- Provides for various sweeps and transfers to ensure adequate balances in state accounts.

**PART N – Support Consolidation of IT Functions and Services into the Office of Information Technology Services (ITS)**

- Proposes consolidating the Office of Cyber Security into the Office of Information Technology Services (ITS); eliminates all references to the Office of Cyber Security and gives all of its functions to ITS to protect state agencies from cyber attacks. Currently, the Office of Cyber Security exists under the Executive Law, and the ITS (created in the 2012-13 FY budget) under the State Technology Law.

- Provides that the current required notice when a person/business maintaining computerized data discovers a breach in security will now be made to the State Police instead of the Office of Cyber Security

**PART O – Workers Compensation Reform: Business Relief Bill.**

- Increases the minimum weekly benefit from $100 to $150.

- Provides that carriers can  pass through assessments to employers on the exact amount owed to the board.
- Abolishes the closed case fund and the aggregate fund trust.
- Provides Workers' Compensation with bonding authority sufficient to deal with liabilities carried by the state due to the default of certain group self-insured trusts (GSITs).
- Closes the State Insurance Funds' assessment reserve fund and directs portions of those funds to be transferred to the general fund over the next four years and requires $500 million to be transferred to the Transformative Capital Fund in 2013.

**PART P – Increase agencies' discretionary authority to purchase food grown, harvested, produced or processed in New York State up to $200,000.**

- Proposes to exempt purchases by state agencies of up to $200,000 for food grown, harvested, produced, manufactured or processed in New York State from competitive bid process. Currently only amounts up to $50,000 are exempt.

- Provides that the purchase of New York State commodities be treated as  purchases of recycled or remanufactured commodities/technology or from small businesses and MWBE vendors, which also currently have a $200,000 cap.

**PART Q – Authorizes School Districts and Boards of Cooperative Educational Services to Participate in the Intrastate Mutual Aid Program.**

- **School District and BOCES Mutual Aid**  Authorizes the adding of School districts and BOCES to the current list of entities (cities, towns, counties and villages) that can provide intrastate mutual aid in the event of a disaster that results in a formal declaration of an emergency by a participating local government.  The extent of the aid provided by school districts and BOCES would be limited to the sharing of facilities management and administrative personnel and equipment.

**PART R – Promote continuity of care for individuals and enable direct care employees to have increased flexibility for employment opportunities.**

- Proposes that former state employees who provided direct care, clinical care, case management or other related support duties to individuals while employed by the state be exempted from the two year and lifetime bans contained in section 73 of the Public Officers Law so they may continue to provide those services to individuals after leaving state service.

# 2012-13 NEW YORK STATE EXECUTIVE BUDGET
# HEALTH AND MENTAL HYGIENE
# ARTICLE VII LEGISLATION
# [S.2606/A.3006]

**PART A – Make statutory changes necessary to continue implementing Medicaid Redesign Team recommendations.**

- Extends the 2% Medicaid across the board rate reduction for two years as well as the Commissioner's "super power" in the event that the Global Cap is pierced. The Global Cap on Medicaid spending continues (3.9 percent). Consolidates Medicaid state operations spending under the cap.

- Permanently eliminates the trend factor for Hospitals, Nursing Homes, Home Care and other providers of services reimbursed by Medicaid.

- Authorizes the Department of Health (DOH) to utilize more than one fiscal intermediary to pay claims or issue payments, and to make payments to a provider that is temporarily unable to comply with billing requirements.

- Allows the DOH to amend certain existing contracts that implement actions recommended by the MRT without a competitive bid or request for proposal process.

- Eliminates provider prevails provisions related to prior authorization requirements for certain prescription drugs.

- Authorizes the DOH to require prior authorization for the refill of a prescription drug in certain circumstances. Authorizes the DOH to deny prior authorization of an opioid analgesic in excess of four prescriptions in a 30 day period if the DOH determines that the additional prescription is not medically necessary.

- Reduces the fee-for-service pharmacy brand reimbursement rate to the average wholesale price (AWP) less 17.6 percent (was AWP minus 17 percent).

- Merges the Pharmacy and Therapeutics Committee with the Drug Utilization Review (DUR) board and modifies the composition of the DUR Board. Modifies public notification requirements for recommendations developed by the DUR board.

- Authorizes the Commissioner to require a pharmaceutical manufacturer to provide a minimum supplemental rebate to the State for drugs that are eligible for state public health plan reimbursement (e.g. Medicaid and EPIC). If such rebates are not provided by the manufacturer, prior authorization may be required by the Commissioner.

- Authorizes the Commissioner to implement an incontinence supply utilization management program that provide enhanced rebates from preferred manufacturers of incontinence supplies and may subject non-preferred manufacturers' incontinence supplies to prior approval.

- Authorizes reimbursement for individual psychotherapy services that are provided by licensed social workers, for persons under the age of 21 and to a person requiring such services because of, or related to pregnancy or giving birth

- Authorizes up to $15 million in state funding to be used to fund health home infrastructure development by March 31, 2014.

- Authorizes reimbursement for integrated mental health services, and/or alcoholism and substance abuse services, and/or physical health services, and /or services to persons with developmental disabilities when such services are provided at a single location or service site.

- Authorizes an updated base year effective January 1, 2014 for inpatient hospital services to allow the calculation to be based on a calendar year. Authorizes the Commissioner to issues regulations providing for periodic base year updates, and adjustment to the utilization of base year costs and statistics.

- Authorizes the Commissioner to issue regulations regarding the calculation of outpatient reimbursement to children's specialty hospitals; and regulations governing when the new inpatient psychiatric reform rate methodology will apply to Medicaid managed care default rates.

- Authorizes the exclusion of certain capital adjustments from the calculation of managed care default rates. Authorizes the Commissioner to establish capital reimbursement methodologies through regulations for inpatient and outpatient services, including emergency services.

- Clarifies that, except as provided or pursuant to regulation, Medicaid services will not be authorized or provided prior to a determination of eligibility .

- Authorizes the Commissioner of Health and the Commissioner of Labor to establish rates of pay for nursing home personnel and mandates that managed care contracts with nursing homes include such rates of pay. Authorizes the commissioners to block new admissions a nursing home that is out of compliance.

- Authorizes a special needs managed care plan or comprehensive HIV special needs plan to provide for comprehensive health services on a full capitation basis. Amends the definition of managed care program to include a special needs managed care plan.

- Authorizes additional services to be covered by managed care and requires additional populations to enroll in managed care.

- Requires manage care providers to provide enrollees access to chemical dependence treatment services.

- Makes various changes to the managed care program with regard to comprehensive HIV special needs plans and special needs managed care plans.

- Requires consultation with Commissioners of the Office of Mental Health (OMH) and the Office of Alcoholism and Substance Abuse Services (OASAS), when appropriate, when acting to appoint temporary management of a managed care provider.

- Authorizes the OMH, the OASAS, and the DOH designation of a limited number of special needs managed care plans capable of managing significant behavioral health needs of enrollees.

- Repeals the exemption of medical assistance recipients who are Native Americans from not having to enroll in a managed long term care plan and those recipients not formerly eligible to participate in a managed long term care program. Amends the list of persons or groups that are not required to enter into a managed long term care plan or other specialized care coordination model until program features and reimbursement rates are approved by the Commissioner.

- Sunsets provisions for fund transfers from the OMH to the DOH.

- Transfers rate setting for the Child Health Plus (CHP) program from the Department of Financial Services (DFS) to DOH, with actuarial review.

- Requires counties that have implemented a mandatory managed care program to provide enrollment counseling services though independent organizations under contract with the DOH.

- Authorizes the DOH to set enrollment application timelines related to the startup date for an individual's enrollment.

- Allows the DOH to determine reimbursement to a certain Certified Home Health Agency (CHHA) for services provided for children and special needs populations to improve recruitment and retention of home care service workers.

- Sunsets payments to financially disadvantaged nursing homes effective December 31, 2012; shifts those funds to the Vital Access Provider (VAP) pool, specifically for nursing homes.

- Authorizes the Commissioner to establish capital reimbursement methodologies for nursing homes through regulation.

- Eliminates the cap on the maximum number of managed long-term care plans that can be authorized.

- Authorizes the Commissioner to adjust rates based on patient acuity by regulation for specialty nursing home facilities.

- Requires responsible relatives with sufficient income and resources to provide medical assistance unless the resources are not available because the relative is absent and the refusal or failure of such absent relative to provide the necessary care and assistance.

- Extends the treatment of income and resources of institutional spouses to all managed long-term care enrollees.

- Authorizes up to 4,500 assisted living beds to be converted from impacted adult homes located in New York City. Authorizes capital debt reimbursement for such homes.

- Allows the Office for People with Developmental Disabilities (OPWDD) to establish a Fully Integrated Duals Advantage (FIDA) program, which shall provide Medicaid/Medicare dual eligible persons with comprehensive health services via Managed Long Term Care (MLTC) plans.

- Establishes Developmental Disability Individual Support and Care Coordination Organizations (DISCOs) to provide managed care to developmentally disabled Medicaid enrollees.

**<u>PART B</u> – Extends provisions of the Public Health, Social Services and Mental Hygiene Law to preserve previously enacted Medicaid savings.**

- Extends the authority for a number of previously enacted Medicaid initiatives including:

    - Patient Centered Medical Homes; intergovernmental transfers (IGT) payments to non-New York City Public Hospitals; bad debt and charity care costs as reported by certified home health agencies and diagnostic and treatment centers; provisions relating to Medicaid inpatient capital cost reimbursement; the six percent nursing home reimbursable cash assessment; the managed long term care (MLTC) operating demonstration know as “Project Eldercare;” rate adjustments associated with reducing potentially preventable readmissions and potentially preventable negative outcomes; the Chronic Illness Demonstration Project; trend factor reduction for hospitals and nursing homes; the requirement that nursing homes, hospitals, certified home health care and long-term home health care providers maximize Medicare revenues; Child Health Plus income and benefits expansions; limitation on the reimbursement of the long-term care home health program administrative and general costs; authorization for spousal budgeting in long-term care waiver programs; and authorization for funds from the Office of Professional Medical Conduct to be used for patient safety activities.

- Eliminates: the reporting requirement of the Chronic Illness Demonstration Project; the trend factor for nursing homes; and a $1.5 million reconciliation limit for certified home health care agency administrative and general cap.

**PART C – Revise the methodology for distributing Indigent Care Pool ("ICP") funds to general hospitals, including Federal Disproportionate Share Hospital ("DSH") payments.**

- Revises the methodology for distributing indigent care pool funds to comply with federal Affordable Care Act (ACA) requirements states must meet in order to continue to qualify for federal reimbursement, and mitigate a potentially substantial reduction in funding. Establishes a transition pool and a three-year transition to the new methodology to smooth the increases and decreases in payments to facilities caused by the change.

- Establishes a "Financial Assistance Compliance Pool" consisting of one percent of funds available for distribution reserved and set aside to be released to hospitals based on their compliance with the Financial Assistance Law (FAL).

**PART D – Amend State law to conform to the requirements of the federal Affordable Care Act**

- Makes conforming changes to comply with the Affordable Care Act (ACA), which must be effective by January 1, 2014 (some go into effect after January 1, 2014).

- Defines new Medicaid eligibility categories and categories of individuals who will have their financial eligibility determined based on modified adjusted gross income (MAGI); defines "benchmark coverage" and sets forth which individuals will receive benchmark coverage under the ACA; and amends the definition of Medicaid benchmark benefit to include any additional federally required benefits except institutional long term care.

- Amends presumptive Medicaid eligibility basis for pregnant women, children, and persons in need of treatment for certain cancers from net income to MAGI.

- Allows online and telephone Medicaid applications to be made, as well as in any other manner the DOH deems permissible; and increases the ability of the DOH to determine Medicaid eligibility. Currently applicants may only apply in person or by mail.

- Amends the list of documentation Medicaid recipients must produce to determine eligibility or continued eligibility.

- Eliminates the currently guaranteed payment of six months of premiums to a Medicaid managed care plan for an individual who becomes ineligible for Medicaid prior to the end of the first six months of enrollment.

- Eliminates the Family Health Plus and Family Health Plus employer buy-in program effective January 1, 2015; restricts applications for Family Health Plus to those received by December 31, 2013; sets forth termination of Family Health Plus coverage for individuals who obtain coverage through the NY Health Benefit Exchange.

- Eliminates the requirement that plans report enrollee demographic information once the State Enrollment Center is fully implemented; and eliminates the requirement for audits of plan eligibility determinations.

- Sets forth a definition for "household income" for determination of eligibility for the Child Health Plus (CHP) program, and makes several other changes to the program including:

    - Clarifying that the State Enrollment Center will make eligibility determinations for all insurance affordability programs including Child Health Plus, allowing the State Enrollment Center to disenroll a child if the household does not provide income verification, and requiring households to report any changes in residency or coverage that may make a child ineligible for coverage;
    - Allowing the Commissioner to determine the documentation necessary to verify eligibility, and eliminating temporary enrollment; and
    - Eliminating the personal interview requirement for eligibility recertification.

- Exempts navigators, as defined under federal law, from certain definitions under State Insurance Law.

- Replaces the current $45,000 annual benefit limit for applied behavior analysis for individuals with autism spectrum disorder with an annual limit of 680 hours of treatment.

- Defines student accident and health insurance, disallows exclusion of an individual from such plans due to a pre-existing condition, gives the Superintendent authority to promulgate regulations, sets the Medical Loss Ratio (MLR) at 82%, and requires insurers to report claims experience data to the Superintendent.

- Requires HMO's to offer policies meeting the requirements of the Affordable Care Act instead of the standardized health insurance contracts currently required. The policies offered by HMO's may be offered through the Exchange or outside the Exchange.

- Makes conforming changes to sections of the Insurance law involving conversion policies.

- Requires small group health policies that are not "grandfathered health plans" to offer essential health benefits as defined in the ACA; and clarifies that optional "make available" benefits do not need to be offered if they are included as essential health benefits.

- Eliminates the Healthy NY Program for sole proprietors; and ends all Healthy NY contracts for qualified small employers and transitions such employers to plans compliant with the ACA.

- Eliminates the individual stop loss fund for Healthy NY.

- Authorizes the Superintendent to suspend or terminate any risk adjustment mechanism without convening a technical advisory committee if the Superintendent determines the objectives of the mechanism are achieved by the ACA.

- Establishes a process for insurers that change their group or blanket policies to comply with the ACA, provided that discontinuances of current plans occur by either December 31, 2013 or the policy renewal date in 2014. Provisions require an insurer to notify policyholders and the Superintendent of Financial Services of any discontinuances, and to offer of new coverage to affected policyholders

- Requires non-employer based groups and Professional Employer Organization's to rate separately for individuals, individual proprietors and small employer groups.

- Eliminates the special community rating provision applicable to individual proprietors starting January 1, 2014.

- Requires community rating of individual and group insurance contracts covering between one and 50 employees or members, or between one and 100 employees or members if the policy is issued or renewed on or after January 1, 2016. Requires the Superintendent to set tiers for all contracts under this section. Requires contracts issued for groups with between one and 50 members to be considered small groups and requires such members to be rated consistently with other members under this section.

**<u>PART E</u> – Improve the State's health care system by: reforming the Early Intervention and the General Public Health Works programs; establishing a new outcome-based contracting and planning initiative for public health programs; streamlining and rationalizing the health planning process; promoting primary care through scope of practice changes; supporting innovative models of care and financing; and rationalizing the State-funded excess medical malpractice insurance pool.**

- Makes numerous changes to the Early Intervention (EI) program including the process of referring, screening and evaluating children potentially eligible for services; modifying insurance coverage and participation requirements for both providers and insurance plans; and requiring Child Health Plus coverage of EI services.

- Makes numerous changes to General Public Health Work (GPHW) including changes to how counties apply for funding; redefining the core public health services counties must offer in order to qualify for funding; increasing the State base grant amount from $550,000 to $650,000 (65 cents per capita); establishing a statewide incentive performance program with up to $1 million earmarked for performance incentives; and, allowing counties to pursue third party coverage for diagnoses and treatment of sexually transmitted diseases.

- Restructures health care program funding by establishing the "Outcome Based Contracting and Outcome Base Health Planning" program, which creates six specific programmatic areas under which a number of currently individually contracted programs, along with any new programs, will be required to compete for funding through a request for application (RFA) or request for proposal (RFP) process. The six areas are:

  - Chronic Disease Prevention and Treatment;
  - Environmental Health and Infectious Disease;
  - Maternal and Child Health Outcomes;
  - HIV, AIDS, Hepatitis C and STDs;
  - Health Quality and Outcomes; and
  - Workforce Development.

- Makes changes to the Certificate of Need (CON) process in an effort to streamline the approval of establishment and construction of health care facilities and services, along with making adjustments to the standards used in considering prospective facility operators.

- Authorizes, in cases of severe management failures, the Commissioner of Health to appoint a temporary operator of facilities — including general hospitals, diagnostic and treatment centers, and adult care facilities — and the Commissioner of Alcoholism and Substance Abuse Services to appoint a temporary operator of chemical dependence treatment programs. The temporary operator would initially serve for 180 days and 90 days for Department of Health (DOH) facilities and Office of Alcoholism and Substance

Abuse Services (OASAS) programs, respectively; and would be entitled to a reasonable fee, full access to all accounts and records. A temporary operator of a DOH facility may be reappointed for two additional 90-day periods, and for subsequent 90-day appointments, as deemed necessary by the Commissioner subject to notice and a hearing. A temporary operator of an OASAS facility may be reappointed for one additional 90-day period.

- Merges Emergency Medical Services (EMS) councils into a state advisory board; establishes regional advisory boards and regional advisory committees. These entities would act in an advisory capacity ultimately to the Commissioner of Health. Consolidates the 18 Regional Emergency Medical Services Councils (RESMCOs) into 10 regional advisory boards.

- Replaces the State Emergency Medical Services Council with the Commissioner of Health as a party that may provide the requisite certification of successful completion of a training course in the use of automated external defibrillators.

- Authorizes a demonstration program to allow home health aides, under the supervision of a registered nurse, to administer routine and premeasured medications.

- Provides that an advanced home health aide, certified pursuant to regulations to be promulgated by the Commissioner of Health, may provide nursing services to self-directing individuals under the supervision of a registered nurse.

- Clarifies that a dental hygienist may not administer or monitor nitrous oxide analgesia or local anesthesia, except under certain specified conditions.

- Authorizes a dental hygienist to practice in a hospital, pursuant to a collaborative arrangement with a licensed dentist. Further provides that such dental hygienist must be certified in cardiopulmonary resuscitation (CPR).

- Allows a dental hygienist to perform supportive services, such as providing patient education and taking preliminary medical histories, without the direct supervision of a dentist.

- Clarifies that a dental hygienist who x-rays a patient must do so under the direct supervision of a dentist.

- Authorizes dental hygienists to issue dental health certificates to students; and adds “dental practices” and “dental hygienists” to the current list of providers offering free or reduced cost dental services that schools must make available.

- Eliminates requirements for written collaboration agreements and practice protocols for nurse practitioners who provide only primary care services and demonstrate that requiring such agreements and protocols is unreasonable.

- Raises the number of physician assistants a physician may supervise from two to four in private practice, and from four to six when rendering services for the Department of Corrections and Community Supervision (DOCCS).

- Allows the suspension or revocation of the licensure and certification of a radiologic technologist upon a determination that such technologist engaged in out-of-state conduct that would constitute a crime or professional misconduct under New York State law.

- Makes permanent the exemption from social work and mental health licensure for individuals working in programs under the auspices of OMH, DOH, SOFA, OCFS, DOCCS, OASAS, OPWDD, local governmental units, and local social services districts.

- Allows the Public Health and Health Planning Council (PHHPC) to establish regulations pertaining to diagnostic and treatment centers operating in retail settings — which would be referred to as "limited services clinics."

- Authorizes the Commissioner of Health to establish a pilot program to facilitate capital investment in health care facilities. As part of this pilot program, PHHPC would approve the formation of two business corporations — one in Kings County, and a second in a to-be-determined location.

- Limits the number of excess medical malpractice policies purchased to the number that can be supported by appropriations, effective immediately. Beginning July 1, 2013, the highest-risk class of physicians and dentists practicing in the highest-risk territories would be given priority in receiving policies.

**<u>PART F</u> – Require that the Methadone Registry include client dosage information to assist in facilitating disaster management.**

- Adds "ensuring accurate dosage delivery and facilitating disaster management" to the purposes served by the existing Methadone Registry.

**<u>PART G</u> – Clarify that OASAS can continue to fund provider programs via direct contracts or through the State Aid Funding Authorization process.**

- Updates provisions regarding the process by which the Office of Alcoholism and Substance Abuse Services (OASAS) distributes State aid to local governments.

**<u>PART H</u> – Continue criteria and appropriate prior notice to ensure the efficient operation of hospitals by the Office of Mental Health; extend the community reinvestment program.**

- Extends provisions allowing ward closures or conversions, and the closure of statutorily established hospitals, following the provision of 45 days and 75 days notice, respectively.

- Reauthorizes the Community Mental Health Reinvestment program for one year.

**PART I – Authorize the Office of Mental Health (OMH) to continue to recover Medicaid exempt income from providers of community residences.**

- Authorizes the commissioner to recover 50 percent of Medicaid overpayments paid to providers of community residences.

**PART J – Streamline the organizational structure of the Office of Mental Health (OMH) by vesting statewide appointing authority in the Commissioner of OMH.**

- Transfers appointing authority for all OMH employees from 24 individual facility directors to the Commissioner.

**PART K – Clarify the date when annual examinations and notice of rights are provided to sex offenders confined in a secure treatment facility.**

- Establishes that the date by which the Commissioner of the Office of Mental Health must provide annual notice of a respondent's right to petition for discharge, and the date by which a respondent's mental health condition must be reevaluated, shall be measured from the last court order or confirmation of the need for continued confinement.

**PART L – Improve the State and local response to violence incidents involving persons with mental illness through the establishment of mental health incident review panels.**

- Authorizes the Commissioner of Mental Health to establish a mental health review panel composed of local and State representatives — as well as potentially including service providers, educators and law enforcement. These panels would examine violent incidents involving persons with mental health diagnoses to identify systemic failures that contributed to such occurrences and issue recommendations.

**PART M – Eliminate redundant reports prepared by the Office of Mental Health (OMH) and the Office for People with Developmental Disabilities (OPWDD).**

- Repeals requirements that agencies submit reports to the Governor and the Legislature regarding: (1) comprehensive emergency psychiatric programs, (2) family care homes and community residences provided by OMH and OPWDD, and (3) instances of abuse and neglect of adults with developmental disabilities.

**PART N – Establish a one-year deferral of the Human Services Cost-of-Living Adjustment.**

- Defers the Cost-of-Living Adjustment (COLA) for designated human services programs for the fiscal year, and extends the adjustment for an additional year to SFY 2017.

# 2013-14 NEW YORK STATE EXECUTIVE BUDGET EDUCATION LABOR AND FAMILY ASSISTANCE ARTICLE VII LEGISLATION [S.2607/A.3007]

**PART A – Enacts Various Provisions Necessary to Implement the Education Portion of the 2013-14 Executive Budget, Including School Aid and Other Education Related Programs.**

This part would alter State School Aid and other related programs in the following areas:

- **Teacher and Principal Evaluations:** Continues the requirement, that public schools must submit documentation, approved by the commissioner of education, by September 1, 2013, demonstrating that each such school has fully implemented standards and procedures for conducting Annual Professional Performance Reviews of classroom teachers and building principals (APPR), in order to be eligible for any increase in school aid, above the amount apportioned to such school in the previous school year, with any amount of increase paid prior to September 1, 2013, for a school without an approved plan, being deducted from future payments made after that date. (Section 1).

- **Contracts for Excellence:** Requires school districts, which previously participated in the Contract for Excellence Program, to continue to do so in the school year 2013-2014, however, with reduced investments (Gap Elimination Adjustment) unless they can be identified as in "good standing". (Section 2).

- **Instructional Computer Hardware and Technology Aid Freeze:** Provides that aid payable for the purchase or lease of certain micro and/or mini computer equipment or terminals, or certain technology equipment, or certain repairs of such equipment, or for certain technical training and staff development, shall be deemed final, and shall not be subject to change after April 30th of the school year for which the payment was due. (Section 3).

- **Small District Internal Audit Exemption:** Increases the size of the school districts (from 300 to 1000 students) that are exempt from the requirement to maintain an internal auditor. (Sections 4).

- **Charter School Tuition Rates:** Provides that the per pupil charter school tuition payments made by school districts for the 2013-14 school year would continue to be maintained at the same level as 2010-11. (Sections 5 and 6).

- **Supplemental Excess School Aid:** Continues the existing statutory formula for supplemental excess school aid for the 2013-2014 and 2014-2015 school years. (Section 8).

- **New Full Day Kindergarten Aid Program:** Provides in connection with the establishment of a new full day kindergarten aid program through a competitive grant process targeted toward high need students in lower wealth schools, a limit of the number of times a school district can receive full day kindergarten conversion aid. (Section 9).

- **Academic Enhancement Aid:** Continues the existing statutory formula for academic enhancement aid for the 2013-2014 and 2014-2015 school years. (Section 10).

- **High Tax Aid:** Establishes a new a two-tier formula for high tax aid, which would direct a greater portion of this aid to school districts with both lower wealth and high property taxes, thereby resulting in a total amount of $154.74 million in this aid, which represents a decrease of $50.03 million. (Section 11).

- **Gap Elimination Adjustment (GEA):** Continues last year's GEA formula within formula-based aids, whereby the GEA is adjusted to maintain growth in school aid at a sustainable level, based upon a district's "extraordinary needs", its total general fund expenditures, and its 2012-2013 GEA. High needs districts would receive 75 percent of the allocated Gap Elimination Restoration Amount increase. (Section 12).

- **State Aid Adjustment Claiming Limits:** Changes from one year to four months (by November 1) the timeline for submission of claims for the purchase of textbooks, library materials, computer software, or computer hardware, or lease of certain micro and/or mini computer equipment or terminals, or certain technology equipment, and freezes the amount of such claims to the amount contained in the executive budget request submitted for the state fiscal year in which the school year commences. (Section 13).

- **Limitation of Full Day Kindergarten Aid:** Limits full day kindergarten aid, to the amount contained in the executive budget request submitted for the state fiscal year in which the school year commences. (Section 14).

- **Teachers of Tomorrow:** Extends the Teachers of Tomorrow Teacher Recruitment and Retention Program through the 2013-2014 school year. (Section 15).

- **Community Schools Grants:** Establishes a new $15 million competitive grant program to integrate social, health and other services, as well as after school programming, in community schools with the intention of supporting students and their families at one "hub" location. (Section 16).

- **Extended Learning Grants:** Establishes a new $20 million competitive grant program for public schools that seek to extend the number or days or hours (or both) of instruction, by at least 25 percent, with academically enriched programming. The intent of this program would be to provide increased learning opportunities, targeted for high need students and schools. (Section 17).

- **Summer School Special Education.** Aligns the current payment process for July and August programs for students attending State Schools for the Blind and Deaf to the payment process for other students receiving special education programming in July and August, by making the student's school district of residence responsible for payment of costs in the first instance. (Sections 18, 19 and 20).
- **Class Sizes for Students with Disabilities:** Continues to allow the Big Five School Districts (Buffalo, Yonkers, New York City, Syracuse, and Rochester) to increase sizes

of special classes for certain students with disabilities through the 2013-2014 school year. (Section 21).

- **School District Special Education Flexibility Waivers:** Establishes a new waiver process to allow certain school districts, BOCES and approved private special education programs, to petition the State Education Department for flexibility from certain state imposed special education mandates, so as to limit their requirements to those mandated by federal law. (Section 22).

- **Preschool Special Education Initiatives:** Establishes a new broad based audit of preschool special education providers, expands the authority of counties to monitor providers of special education services, and authorizes the City of New York to implement a competitive process to select providers for special education services and set provider payment rates within certain State parameters. (Section 23).

- **Audit Recoveries for Special Education Programs:** Authorizes Counties to increase their share of preschool special education audit recoveries from the current 40.5 percent to 75 percent. (Section 24).

- **Lease of School Buses:** Extends the ability of school districts and BOCES to lease school buses, pursuant to certain restrictions, from September 1, 2013 until September 1, 2015. (Section 26).

- **Consortium for Worker Education:** Decreases funding $1.5 million from fiscal year 2012-2013 to $11.5 million, for a program by this not for profit organization to provide adult education services to union members in New York City. (Sections 27, 28 and 29).

- **Aid and Budget Extenders:** Extends for one year certain provisions related to the 1994-95 state operations, aid to localities, capital projects and debt service budgets, and certain provisions relating to state aid to school districts and the appropriation of funds for the support of government, until March 31, 2015, and July 1, 2014, respectively. (Sections 30 and 31).

- **Conditional Appointments of School District Employees**: Extends the authorization for boards of education to conditionally employ school employees, and continues the process for emergency conditional appointments of such employees for one year until July 1, 2014. (Section 32).

- **School Safety:** Continues, until June 30, 2014, the provisions of the education law regarding supplemental educational services, attendance at a safe public school and the suspension of pupils who bring a firearm to or possess a firearm at a school. (Section 33).
- **No Child Left Behind:** Continues for one additional year, until June 30, 2014, the provisions of the education law, established to implement the No Child Left Behind Act. (Section 34).

- **School Bus Driver Training:** Continues the $400K in grant funding to schools for training purposes, including bus driver safety training and the distribution of training materials. (Section 35).

- **Library Support:** Continues to aid public libraries pursuant to the statutory formula of the provisions of 272, 273, 282, 284 and 285 of the education law, and authorize the Commissioner of the State Education Department (SED) to disburse the formula grants to public library systems, research library resources systems, and school library systems operating under approval plan of service pursuant to previous distribution methods. (Section 36).

- **Special Apportionments for Salary Expenses and Pension Accruals:** Continues to authorize schools to apply to the Commissioner of the State Education Department by June 2014 to receive a special apportionment for salary expenses or pension accruals, and would establish eligibility requirements for the receipt of such allocations. (Sections 37 and 38).

- **Suballocation and Interchange:** Continues to authorize all moneys appropriated to the State Education Department to be suballocated, and would authorize SED to interchange items of appropriation. (Section 39).

- **Rochester School District and BOCES Services:** Continues to authorize the city school district of Rochester, upon the consent of the BOCES serving the geographic region, to purchase a BOCES services as a non-component school district, for the 2013-2014 school year. (Section 40).

- **Foundation Aid Setasides:** Continues for the 2013-2014 fiscal year, for districts that receive foundation aid, a $170.30 million Magnet School and a $67.48 million Teacher Support Aid setaside requirement for selected districts. Under this proposal, New York City would be continued to require to set aside $50.48 million for Attendance Improvement/Dropout Prevention. A setaside requirement of $2.62 Billion would also be provided for public school district support for children with disabilities. (Section 41).

***APPR Note:*** *As most Public Schools have only submitted a one year APPR plan to the State Education Department in order to comply with the provisions of last year's executive budget and section 3012-c of the education law (the section establishing the new APPR standards), most school districts will therefore have to comply with section 1 of part A, and provide a new resubmission subject to SED approval, in order to obtain this year's increase in state aid.*

**PART B -- Proposes the establish of a new financing structure for the State University of New York Residence Hall Program**

- Continues Dormitory Authority of the State of New York (DASNY) traditional role in financing the construction and operation & maintenance costs of new and existing dorms.
- Establishes a new fund in the custody of the Commissioner of Tax & Finance, known as the dormitory facilities revenue fund, to be the repository for revenues from dormitory projects and shall be used to pay debt service costs associated with such projects.

**PART C -- Proposal to extend the New York State Higher Education Capital Matching Grant program for independent colleges**

- Extends the Higher Education Capital Matching Grant program, which was to expire in March 2013 through March 2014.
- Allows for eligible colleges to apply for unused or unapplied for funds.
- Ensures that capital matching grants initially made available only to the counties of Nassau and Suffolk and New York City, be available in the second issuance to those geographic areas. Further, those funds made available initially to other regions of the state would be available only to those regions upon the second issuance.

**Part D -- Creates the Next Generation NY Job Linkage Program**

- Creates a program to incentivize community colleges to successfully prepare students for employment in the modern economy.
- Alters the current aid disbursement criteria for community colleges for students.
- Awards community colleges with aidable funding for meeting career preparation-related goals, rather than on simply a per pupil basis.

**PART E – Authorize the pass-through of the 2014 Federal Cost of Living Adjustment in relation to Supplemental Security Income (SSI)**

- Sets forth the actual dollar amounts for the 2013 monthly Personal Needs Allowance (PNA) and the standard of need for eligibility and payment of additional State payments. The federal SSI benefit amount is increased annually, through a cost of living adjustment (COLA), and State Law must be amended accordingly to ensure accurate payments are made.

- Offsets rising cost-of-living expenses by effectuating a pass-through to take effect on December 31, 2013 so that the PNA and other payments would be automatically increased by the percentage of any federal SSI COLA which becomes effective within the first six months of calendar year 2014. Legislation effectuating the federal SSI COLA has been enacted every year since 1984.

**PART F – Transfers the administration of the Homeless Housing Assistance Program (HHAP) from the Office of Temporary and Disability Assistance to the Division of Housing and Community Renewal**

- Transfers administration of the HHAP program to the Division of Housing and Community Renewal (DHCR). The HHAP finances the construction of housing for homeless individuals and families. The Commissioner of DHCR would chair the Homeless Housing and Assistance Corporation (HHAC) with the Commissioner of OTDA serving as a member. It further appoints the Commissioners of the Office of Mental Health (OMH) and Office of Alcoholism and Substance Abuse Services

(OASAS) as members. DHCR and HHAC would be required to consult with OTDA, OMH, OASAS and other appropriate agencies in carrying out the HHAP program.

- Increases from one percent to two percent of the annual HHAP appropriation to pay for technical assistance in support of project development and operation. Such funds would be awarded through a Request for Proposals (RFP) process.

**Part G – Combine and streamline delinquency prevention programs administered by the Office of Children and Family Services**

- Merges two youth development prevention programs, Special Delinquency Prevention (SDPP) and Youth Development and Delinquency (YDDP), into a single program entitled "Youth Development Program".

- Amends the term "municipality" to include a county or city with a population of one million or more, and removes statutory language governing the function of Youth Bureaus.

- Requires municipalities to develop a comprehensive plan to offer youth development programs. Such plan must be approved by the Office of Children and Family Services before funding is allocated to a municipality.

- Effectuates the merger of these two programs January 1, 2014.

**Part H – Expand the Juvenile Justice Close to Home Initiative Model**

- Expands the Close to Home Juvenile Justice Initiative model, enacted as part of the 2012-13 state budget, to the entire state for youth placed with the Office of Children and Family Services (OCFS) for care in a non-secure setting.

- Prohibits family courts, as of May 1, 2013, from placing youth with OCFS for non-secure care from counties outside New York City. Youth would instead be placed into the custody of their local county social services district.

- Notwithstands existing notice requirements prior to closures, which requires a 12 month notice before shuttering a Juvenile Justice facility, replacing it with a 60-day notice requirement for purposes of non-secure facilities only. Notice would be provided to the Legislature and posted on the OCFS website. OCFS' statutory authority to operate non-secure facilities would cease as of March 31, 2014.

- Amends minimum experience requirements to be an OCFS Youth Facility Director. Current statutory language mandates two years experience in appropriate titles in state government, but proposes to change qualifications to those prescribed by the

Department of Civil Service in consultation with OCFS. This change would take effect 30 days after enactment.

**<u>Part I</u> – Merge the Office of the Welfare Inspector General into the Office of the State Inspector General**

- Merges the Office of the Welfare Inspector General (OWIG), currently located within the Medicaid Fraud Control Unit of the State Attorney General's Office, with the Office of State Inspector General (OIG).

- Addresses existing OWIG activity and provides for seamless transition over to the OIG. This includes the transfer of all OWIG staff over to the OIG without further examination or qualification requirements. Staff would retain their respective civil service classifications.

- Refers prosecutions of welfare fraud cases to the appropriate prosecutor's office, rather than allowing the OIC to assume that duty.

**<u>PART J</u> – Authorize STAR Re-registration and Anti-Fraud Program**

- Amends various provisions of the School Tax Relief (STAR) exemption program. Grants the Commissioner of Tax & Finance authority to produce guidelines for the determination of what constitutes a primary residence. Implements a ten year look-back period (increased from three years) for review of properties which may have unlawfully received such an exemption. Imposes a processing fee for purposes of the revocation procedure, and penalties are amended for material misstatements on a STAR application.

- Creates a new STAR registration program for properties applying for and receiving the basic STAR exemption which would require such participants to be registered with the Department of Tax and Finance in a manner, and at intervals set by the Commissioner. Additionally, procedures are proposed for removal or denial of a STAR exemption upon certain findings, and a proper hearing.

**<u>PART K</u> – Merges and reforms the Neighborhood and Rural Preservation Programs (N/RPP) into a single, performance based program.**

- Repeals Articles 16 and 17 of the Private Housing Finance Law (PHFL) which provides for the administration of the Neighborhood and Rural Preservation Programs; creates a new Article 27 to establish a new Community Preservation Program within the Housing Trust Fund Corporation (HTFC). Community Preservation Programs (CPPs) would be qualified for funding if they were in existence as of August 1, 2012. Contracts would include performance based criteria and be for a term as determined by HTFC at its discretion.

- Deposits remaining funds not collected by a community preservation corporation and surplus from terminated groups into a merged corporation savings fund to be administered by HTFC and used to fund new corporations in unserved or underserved areas.

- Authorizes HTFC to contract for technical services and assistance to enable corporations to comply with the intent of the program. Requires an annual report to the Legislature on or before September 30th, annually.

- Effective July 1, 2013.

**PART L -- Modernizes the investment powers of the State of New York Mortgage Agency and the Housing Finance Agency.**

- Expands scope of investment authority of SONYMA and HFA to conform with that of the Tobacco Settlement Financing Corporation (TSFC). Expanded authority allows investment in securities as authorized by the State Comptroller and ancillary facilities, including interest rate exchange agreements, bond insurance policies, and similar agreements.

- Modifies the authority of the Mortgage Insurance Fund (MIF) to grant additional investment powers that are available to other public authorities such as the ability to invest in government backed mortgage securities of Ginnie Mae, Fannie Mae, and Freddie Mac; HFA mortgages insured by HFA; and obligations of public authorities of New York.

**PART M -- Provides for the utilization of excess Mortgage Insurance Fund reserves.**

- Utilizes for SFY 2013-2014 excess Mortgage Insurance Fund (MIF) reserves to fund specific affordable housing initiatives, the MIF is a division of the State of New York Mortgage Agency (SONYMA). Existing law requires excess revenue from the MIF to be returned to the State with SONYMA Board approval, as long as the reserves are sufficient to attain and maintain the State's credit rating.

- Proposes using approximately $150 million in reserves with distribution of $100 million to General Fund and $50 million to housing related programs.

**<u>PART N</u> – Transfer of the State Data Center from the Department of Economic Development to the Department of Labor.**

- Moves the data center which collects, analyzes and disseminates census data from the Department of Economic Development to the Department of Labor.

**<u>PART O</u> – Reform the Unemployment Insurance Benefit System.**

- Increases, incrementally, the wage base from $8500 to $13000 over the next 13 years and then indexes the wage base to 16 percent of the state's average annual wage rate thereafter;.
- Increases, incrementally, the maximum weekly benefit from $405 through the year 2026 and thereafter indexes the benefit to 50 percent of the average weekly wage.
- Allows for decreased benefits for those receiving severance or pensions.
- Removes obligations of an employer when an employee is terminated or resigns.
- Provides greater incentive for the unemployed to seek employment by mandating more employer contact and reducing the amount of time an employee may refuse employment.
- Makes permanent the Department of Labor's authority to assess surcharges for interest payments on federal government UI benefits loans.

**<u>PART P</u> – Increase the minimum wage.**

- Increases the minimum wage to the greater of $8.75 or the federal enacted minimum wage. Increases, for food service workers, the minimum wage from $5.00 to the greater of $6.03 or the federal minimum wage for food service workers.

**<u>PART Q</u> – Reform Interest Arbitration awards for fiscally distressed local governments, and extend current provisions expiring July 1, 2013.**

- Extends current interest arbitration law until 2017.
- Provides that arbitrators may not award more than a 2 percent increase in employee compensation if the employer is deemed to be fiscally distressed.
- Reduces the arbitration award by any increases in health insurance costs incurred by the employer.

**<u>PART R</u> – Effectuate Phase One of Casino Development**

- Provides for the licensing of three of the seven casinos authorized by concurrent resolution, which may not be placed in New York City, Westchester, Putnam or Rockland County.
- Leaves the specific sites and terms of the operation and regulation of the three casinos to be determined by the new Gaming Commission (effective on February 1, 2013). The Gaming Commission will study the best method to select and regulate the new casinos, and will report to the legislature by May 15, 2013 on its findings.
- Authorizes the Gaming Commission to issue a request for information to gauge interest in operating one of the three casinos.

# 2012-13 NEW YORK STATE EXECUTIVE BUDGET TRANSPORTATION ECONOMIC DEVELOPMENT AND ENVIRONMENTAL CONSERVATION ARTICLE VII LEGISLATION [S.2608/A.3008]

**PART A – Extends the annual authorization for the CHIPS and Marchiselli programs for another year.**

- Extends annual authorization for the Consolidated Highway Improvement Program (CHIPS) at $363.1 million and for the Marchiselli program at $39.7 million, for a total of $402.8 million, until March 31, 2014. There is no change in funding from the last two years.
- Continues the permanent eligibility for CHIPS reimbursement for four specific road resurfacing options, added in SFY 2012-13 enacted budget.

**PART B – Makes permanent the redistribution of the statewide collected transmission tax between the upstate (PTOA) and downstate (MMTOA) transit accounts in an equitable manner, replacing the existing yearly transfer between the two accounts.**

- Permanently redistributes revenue collected from the transmission tax that is collected statewide. Current State law mandates that 20 percent of the transmission tax be deposited in the Dedicated Highway and Bridge Trust Fund, 54 percent of the transmission tax be deposited in the Metropolitan Mass Transportation Operating Assistance Account (MMTOA), and the remaining 26 percent be deposited in the Public Transportation Operating Assistance Account (PTOA). Such percentages were derived based upon population data in each serviced area.
- Current State law on transmission tax redistribution is set to expire on March 31, 2012.

**PART C – Conforms State law to the Federal Motor Carrier Safety Administration rules by imposing license sanctions for cell phone use and texting by commercial motor vehicle operators.**

- Amends State law to conform with Federal Motor Carrier Safety Administration (FMCSA) rules requiring states to enact legislation that provides:
  - for the suspension of a commercial driver's license (CDL) if the operator violates a State or local law regarding cell phone use or texting;
  - that no person shall use a cell phone or portable electronic device while operating a commercial motor vehicle (CMV) on a public highway if the vehicle is temporarily stationary because of traffic, a traffic control device, or other momentary delays; and

- that no motor carrier shall allow or require its drivers to use a cell phone or portable electronic device while operating a CMV.
- Preserves $64 million in Federal highway funding and $8 million in FMCSA program funding.

**PART D – Permits the Department of Motor Vehicles to keep certain branch offices open on Saturdays.**

- Allows the Commissioner of the Department of Motor Vehicles (DMV) to designate certain branch offices, as part of a larger customer service initiative, to remain open for business on Saturdays.
- Amends the State law that permits public offices of a county to operate on Saturdays but prohibits State officers from operating on Saturdays. This part would allow both State and County officers to operate on Saturdays.

**PART E – Provides permanent State financial assistance and savings to the New York State Thruway Authority.**

- Provides annual savings by waiving reimbursement to the New York State Thruway Authority (Thruway) for costs associated with State Police personnel and service, authorizing $24 million in annual Thruway operating costs be covered by the State, and exempting the Thruway from annual cost recovery charges levied against public benefit corporations.
- Saves the Thruway approximately $85 million per year in operating costs.

**PART F – Enact the Cleaner Greener New York Act of 2013 to increase revenues deposited to the Environmental Protection Fund by redirecting unclaimed bottle deposit receipts and by strengthening enforcement of the Bottle Bill to prevent fraud.**

- Redirects $15 million per year to the Environmental Protection Fund (EPF) from unredeemed "Bottle Bill" deposit collections currently deposited to the General Fund and further redirects unredeemed deposits collected each fiscal year in excess of the amount collected in SFY 2012-13 to the EPF. Based on increased enforcement of the Bottle Bill, this excess amount is estimated to be $4 million in the first year and $8 million every year thereafter.

- Clarifies and enhances enforcement provisions to prevent fraudulent activities, such as over-redemption, and authorizes the imposition of new criminal sanctions associated with certain violations of the Bottle Bill.

- Authorizes localities that enforce the Bottle Bill and collect civil penalties to retain such penalties rather than turning them over to the State.

- Requires redemption centers to be registered or permitted by the Department of Environmental Conservation (DEC) and authorizes the revocation of such registration or permit.

- Clarifies and streamlines the responsibilities of deposit initiators, redemption centers and dealers (retailers) to make the operation of the bottle and can redemption system less labor intensive and more cost effective.

**PART G – Make permanent the waste tire management and recycling fee.**

- Makes permanent the waste tire management fee of $2.50 which is collected on each new tire sold. Provides that the commissioner of the Department of Taxation and Finance (DTF), as recipient of such payments, may now require that the fee be paid electronically and may prescribe the manner and form of the quarterly return, as opposed to the current three times per year. The date of returns to be filed quarterly would be adjusted to the last day of February, May, August, and November of each year.

- Current law expires on December 31, 2013.

**PART H – Make permanent the general loan powers of the New York State Urban Development Corporation.**

- Makes permanent the general loan powers of the New York State Urban Development Corporation (UDC). UDC has had such power since 1994, and this authorization has been renewed annually thereafter. Currently, it is set to expire on July 1, 2013. Absent reauthorization, UDC's authority to make loans would be limited to certain State-funded economic development programs.

**PART I – Extend the authorization for the Dormitory Authority of the State of New York to enter into certain design and construction management agreements.**

- Extends the authority of the Dormitory Authority of the State of New York (DASNY) to enter into a design and construction management agreement with the DEC and the Office of Parks, Recreation and Historic Preservation (OPRHP). DASNY was granted this authority as part of the 2012-13 Enacted Budget. This authority is scheduled to expire on April 1, 2013 and this part would extend such authority to April 1, 2015.

**PART J – Provide general grant-making power for the New York State Urban Development Corporation.**

- Provides UDC with general authority to make grants using funds from any source on such terms and conditions as UDC deems advisable to any person or entity, whether public or private, provided such grants are made in compliance with guidelines established by UDC. Currently, UDC's authority to make grants derives from program-specific law authorizing such economic development programs.

**<u>PART K</u> – Authorize and direct the Comptroller to receive for deposit to the credit of the General Fund a payment of up to $913,000 from the New York State Energy Research Development Authority to offset debt service related to the Western New York Nuclear Service Center (West Valley).**

- Authorizes the Comptroller to receive up to $913,000 from unrestricted corporate funds of the New York State Energy Research and Development Authority (NYSERDA) to be deposited in the General Fund. This transfer would help offset New York State's debt service requirements relating to the Western New York Nuclear Service Center.
- A similar authorization was contained in last year's budget.

**<u>PART L</u> – Authorize the New York State Energy Research and Development Authority to finance a portion of its research, development and demonstration, and policy and planning programs, and to finance the Department of Environmental Conservation's climate change program, from an assessment on gas and electric corporations.**

- Authorizes NYSERDA to finance a portion of its research, development and demonstration, and policy and planning programs, and to finance DEC's Climate Change Program, from an assessment on gas and electric corporations collected pursuant to section 18-a of the Public Service Law.
- A similar authorization was contained in last year's budget.

**<u>PART M</u> – Authorize the Department of Health to finance certain activities with revenues generated from an assessment on cable television companies.**

- Authorizes the Department of Health (DOH) to finance its public service education expenses with funding from the Department of Public Service's assessment on cable television companies. The Executive's financial plan assumes that DOH would be able to recover these costs, and an appropriation of $454,000 is included in DOH's budget for these activities.
- Similar provisions were enacted last year.

**<u>PART N</u> – Extend the Temporary State Energy and Utility Service Conservation Assessment, to provide continued revenues in support of necessary expenses of the State, including the purchase of utility services**

- Extends, for an additional five years, the "Temporary State Energy and Utility Service Conservation Assessment" on utilities. In 2009, this tax was increased from .333% to 2% of a utility's gross intrastate utility revenues less the amount such entity is assessed for the costs of the Public Service Commission and Department of Public Service. This part would extend the temporary increase for 5 years, until March 31, 2019. The temporary increase is scheduled to expire on March 31, 2014.

**<u>PART O</u> – Implement recommendations made by the Moreland Commission on Utility Storm Preparation and Response, related to strengthening the oversight and enforcement mechanisms of the Public Service Commission to ensure that public utility companies are held accountable and responsible to regulators and customers.**

- Expands the Public Service Commission (PSC)'s authority to increase existing penalties, as well as to establish and collect new civil penalties from utilities based on gross operating revenue. Penalties would benefit ratepayers and utilities would be prohibited from recovering from ratepayers.
- Authorizes the PSC to initiate administrative hearings to recover penalties. Currently, the PSC may only seek penalties in court and must prove that the utility knowingly committed the violation.
- Imposes a civil penalty of up to $100,000 per offense or per day for a continuing violation, on utility officers, agents, or employees who knowingly commit certain violations.
- Enhances utility emergency management plan requirements and authorizes the PSC to: initiate investigations, issue orders requiring implementation of specific measures, and assess civil penalties.
- Directs the PSC to review a utility's ability to provide safe and adequate service every five years and grants the PSC authority to require more stringent terms of service and compel divestiture of state-based utility assets.
- Authorizes the PSC to modify or revoke a utility's certificate of public convenience and necessity (license to operate) where: modification or revocation could be undertaken while ensuring continuity of safe and adequate service and due process; another corporation is qualified, available and prepared to provide alternative service; and the transition is in the public interest.
- Increases civil penalties under the General Business Law for violation of the one-call procedures intended to protect underground facilities, such as gas pipelines, from excavation activities.

**<u>PART P</u> – Extends for one year the authority of the Secretary of State to charge increased fees for expedited handling of documents.**

- Extends for an additional year the authority of the Secretary of State to charge (or assess) increased fees for the expedited handling of all documents filed or issued by the Division of Corporations.
- Extends the new expiration date to March 31, 2104, but was last extended for two years in the 2011-2012 Enacted Budget.

**<u>PART Q</u> – Facilitates an online corporate filing system and reduce costs and regulatory burdens on the State's business.**

- Subpart A: Eliminates the Not-for-Profit Corporation Law's "type" classification system. Under current law, the Not-for-Profit Corporation Law categorizes not-for-profit corporations into four types – A, B, C or D.
- Subpart B: Allows certain corporations to self-certify that they have received the necessary consent or approval to pursue their proposed activities from any State agency or other entity from which such consent or approval must be obtained, with penalties prescribed for false certification. Currently, filers must attach the original consent or approval to their paper incorporation materials.
- Subpart C: Allows shareholders of business corporations to participate in shareholder meetings by conference call or similar means, unless the organization's by-laws provide otherwise. It would also allow members of not-for-profit corporations to participate in member meetings by conference call, unless the by-laws provide otherwise. It would permit members of limited liability companies (LLCs) to vote by electronic means, unless otherwise provided for by the LLC's operating agreement and permit partnership agreements to permit voting by electronic means.
- Subpart D: Permits partnerships, LLCs and corporations to incorporate business corporations and not-for-profit corporations. Under current law, only natural persons at least 18 years old may act as incorporators or organizers.
- Subpart E: Replaces a formula driven tax with a uniform $10 tax when a business corporation files a certificate of incorporation. Currently, upon filing a certificate of incorporation, business corporations must pay a tax of one-twentieth of one percentum upon the amount of the par value of all shares with a par value and a tax of five cents on each share without a par value, which must at a minimum be $10.

# 2013-14 NEW YORK STATE EXECUTIVE BUDGET
# REVENUE
# ARTICLE VII LEGISLATION
# [S.2609/A.3009]

**PART A – Extend the MTA business tax surcharge for five years**

- Extends the 17 percent MTA business tax surcharge for five years until December 31, 2018. The temporary tax 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. This tax is scheduled to sunset for taxable years ending on or before December 31, 2013.

**PART B – New York Film Production tax credit – extends for five years, enhance, and improve transparency.**

- Makes various changes to the New York Film Production tax credit. First, the bill extends the additional annual pool of $420 million for five years until 2019. The additional pool is scheduled to expire after 2014.

- Increases the amount of the additional $420 million that can be allocated for the empire state post production tax credit from $7 million to $25 million annually. It also provides that if the money from the film credit pool is not allocated for the year, the remainder may be available for the post production credit.

- Adds to the definition of "Qualified film" a "Relocation television production," which is defined as a talk or variety show that has been shooting outside of New York State for at least five seasons and will have New York production costs of at least $30 million annually or $10 million in capital expenditures.

- Relaxes the post production expensing requirement for the film tax credit. The film production will no longer be required to spend at least 75 percent of its post production budget in New York in order to include post production costs in expenses that qualify for the film credit.

- Modifies the post production credit so that the cost of visual effects and animation are no longer included in the calculation of the 75 percent of post production costs necessary to be done in New York in order to qualify for the credit. However, the film can still receive post production credits for visual effects and animation if the cost of such is at least $3 million or 20 percent of total post production costs.

- Expands the information required to be contained in the annual report to include: credit eligible man hours and the names of the companies that receive credits from the program. The proposal also requires the office of motion picture and television development to file a report bi-annually which includes the efficacy of the credits and requires that the office hire an independent third party to conduct a study on the economic impact of the credit.

**PART C – Establish the New York Innovation Hot Spots Program.**

- Creates "tax free" innovation hot spots around the State to initiate collaboration between the State's higher education institutions and businesses that are in their formative stages. Ten hot spots would be created throughout the State, designated by the Department of Economic Development. Five would be designated in SFY 2013-14 and five would be designated in SFY 2014-15. Hot spot designations would be recommended by the regional economic development councils. The Executive anticipates that one hot spot would be located in each of the ten economic development regions of the State.

- Grants to businesses that locate in the innovation hot spot certain business and sales tax benefits. If the qualified businesses have related business partners or are a sole proprietor or a limited liability company (LLC), it can deduct its income or gain derived from its operations in the hot spot from its federal adjusted gross income. However, if the business files its taxes under the corporate franchise tax, it is still subject to the fixed minimum tax ranging from $100 to $1,500. If the business were a limited liability company or a partnership, it will be required to pay the LLC filing fee ranging from $25 to $4,500. Additionally, the business cannot claim any other credit or deduction if they are participating in this program.

- Allows the qualified business to claim a refund of any sales taxes paid on the purchase of tangible personal property or services associated with the business.

**PART D – Extend the high income charitable contribution deduction limitation for three years.**

- Extends the limitation for certain taxpayers on itemized deductions for charitable contributions from December 31, 2012 until December 31, 2015. From 2010 to 2012, taxpayers with incomes in excess of ten million dollars can claim only 25 percent of their charitable contributions. The 25 percent limitation expired on December 31, 2012. Under current law, such taxpayers will be permitted to claim 50% of their charitable contributions for the 2013 tax year.

**<u>PART E</u> – Close the royalty income loophole.**

- Changes the exclusion and addback rules that pertain to royalty payments between businesses that are related members (one company has ownership rights in the other). Currently, if a royalty payment is made between related members, the receiver of the royalty payment can exclude this payment from income if the payer of the royalty payment is a New York taxpayer. The proposal would change these rules so that the receiver of the royalty payment must addback the royalty payment to entire net income if it cannot show clear and convincing evidence that the payment was made for a valid business purpose and that the payer was also subject to tax in another taxing jurisdiction and that effective rate of tax in the other jurisdictions equals 80 percent of the rate of tax it paid in New York.

**<u>PART F</u> – Extend and enhance the historic commercial properties rehabilitation tax credit.**

- Extends the Historic Commercial Properties Credit from December 31, 2014 to December 31, 2019; enhances the credit by making it refundable starting in 2015.

**<u>PART G</u> – Establish the Charge NY electric vehicle recharging equipment tax credit.**

- Creates a tax credit for installing electric vehicle recharging property that is equal to the lesser of 50 percent of the cost of such property or $5,000.

**<u>PART H</u> – Make tax modernization provisions permanent.**

- Makes permanent the Tax Modernization provisions enacted in the SFY 2012-13 budget. These provisions include the electronic filing (e-file) mandate on tax preparers who prepare more than 10 returns in the prior year and the requirement that personal income taxpayers who use tax software to prepare their return must e-file their return. The bill also extends the Department of Taxation and Finance's authorization to require sales tax vendors that have been delinquent in payments to set up a segregated bank account in which the taxpayer will be required to make weekly deposits of sales tax collections. These provisions are due to sunset at the end of 2013.

**PART I – Establish tax-free sales and the sale of alcoholic beverages at Taste-NY facilities.**

- Creates the Taste-NY program that would establish retail facilities to promote New York products, including alcoholic beverages, through the use of a sales tax exemption. These retail facilities would be established at facilities owned by the State or one of its authorities, such as the Port Authority, the Metropolitan Transportation Authority, or the Thruway Authority and it is envisioned that these stores would predominantly sell New York products. All of the products, including non-New York products, sold at these venues that have a retail price of less than $200 would be exempt from state and local sales tax. Operators will be charged a $500 license fee to operate a Taste-NY facility.

**PART J – IDA reform for State sales tax exemption benefits.**

- Limits the types of businesses to which Industrial Development Agencies (IDAs) can provide exemptions from the State sales tax to only those types of businesses that are eligible for the Excelsior Jobs Tax Credit Program. These businesses include: scientific research and development, software development, agriculture, manufacturing, back office firms, and distribution firms.

- Requires IDAs to create a plan and have it approved by the Empire State Development Corporation prior to providing a State sales and use tax exemption to any project. The project would also have to be approved by the regional economic development council. Currently, IDAs are not required to obtain State approval prior to providing State sales and use tax benefits to projects.

- Eliminates IDAs' current ability to provide sales and use tax exemptions to a project developer through the issuance of an exemption certificate. This part requires the project developer to apply for a refund or credit of sales taxes paid with the Tax Department. In addition, if the project is not developed or does not meet its economic or job creation goals, the State will be able to recapture the sales tax.

**PART K – Make technical amendments to the tax classification of uncompressed natural gas.**

- Proposes a technical amendment to the sales tax exemption on alternative fuels to include uncompressed natural gas that will be compressed. Currently the purchase of CNG is exempt from the sales and use tax along with other alternative fuels, including E85 and hydrogen.

**PART L – Equalize fuel tax treatment for volunteer ambulance services, fire companies, fire departments and rescue squads.**

- Equalizes the treatment of fuel used by volunteer ambulance squads, volunteer fire companies and other volunteer rescue squads by creating a reimbursement under the petroleum business tax for the fuel they use in performing their duties. Currently, the fuel these entities use is exempt from the motor fuel excise tax and the sales tax.

**PART M – Update criteria for refusal and revocation of a sales tax certificate of authority.**

- Expands the criteria the Department of Taxation and Finance can use to refuse to issue Certificates of Authority (COAs) to include any conviction under New York State penal law or by any other state and the federal government if the "underlying conduct" would constitute a crime under the tax law (according to the Commissioner). The look back period for such convictions increases from one to five years. A business needs a COA before it can legally sell goods and services in New York State.

- Expands the criteria for refusal of a COA to include the non-payment of any tax liability. Under current law, a refusal can only occur for non-payment of sales tax.

- Expands the definition of a person responsible for the collection of sales tax as a person that has more than fifty percent of the voting rights or beneficial interest in an entity.

**PART N – Expand the cigarette and tobacco retailer registration clearance process.**

- Authorizes the Commissioner of Taxation and Finance to deny issuing a cigarette or cigarette vending machine certificate of registration application if the applicant is found to have outstanding tax liabilities that are fixed and final. The Commissioner may also deny issuing a registration if the applicant or any representatives who collect the cigarette tax on the applicants' behalf have been convicted of a crime within the past year.

**PART O – Increase civil penalty for possessing unstamped cigarettes.**

- Increases the penalty for possessing unstamped or unlawfully stamped cigarettes from $150 to $600 dollars for each carton of cigarettes (200 cigarettes) a person has in his or her possession that exceeds the maximum allowable amount of five cartons of cigarettes (1,000 cigarettes).

**PART P – Suspend delinquent taxpayers' driver's licenses.**

- Creates a new program that allows the Commissioner of Taxation and Finance to enter into an information sharing agreement with the Commissioner of Motor Vehicles and allows the Commissioner of Motor Vehicles to suspend a taxpayer's driver's license when a taxpayer owes more than $10,000 in fixed and final tax liability.

- A taxpayer whose license is suspended under this program can still apply for a restricted license. The license suspension program will not apply to commercial drivers licenses. This part also prohibits insurance companies from penalizing policyholders who have their license suspended under this program.

**PART Q – Amend wage garnishment.**

- Authorizes the Department of Taxation and Finance to issue wage garnishments through the taxpayer's employer without filing a tax warrant with the local County Clerk or the Department of State. A warrantless wage garnishment can only be filed twenty-one days after a notice and demand of payment goes to the taxpayer.

**PART R – Allow local governments to extend existing sales tax rates without State legislative approval**

- Authorizes counties and cities to impose their current additional local rates of sale and compensating use taxes without obtaining State legislative authority while maintaining current preemption rules. A county would still be required to adopt a local law, resolution or ordinance by a majority vote of its governing body every two years to impose the additional rate. Currently, counties are authorized to impose a sales tax up to three percent without any State legislative action. However, the statutory provisions governing counties' ability to impose an additional local sales tax rate above the three percent expire every two years.

**PART S – Eliminate remaining Quick Draw restriction**

- Eliminates the remaining quick draw restrictions that prohibit the Quick Draw game from being played at premises smaller than 2,500 square feet and that requires a person to be 21 years of age to play Quick Draw on premises where alcoholic beverages are served.

**PART T – Extend Monticello Casino and Raceway video lottery terminal venue distribution rates**

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

**PART U – Make certain tax rates and authorization for account wagering permanent**

- Makes permanent the lower pari-mutuel tax rates and rules governing simulcasting of out-of-state races.